Annexure-E

FAIRNESS OPINION

THE OUDH SUGAR MILLS LIMITED
&
UPPER GANGES SUGAR & INDUSTRIES LIMITED

THE OUDH SUGAR MILLS LIMITED

Upper Ganges Sugar & Industries Ltd.

March,2015

Corporate Professionals
WHERE EXCELLENCE IS LAW

Strictly Private & Confidential

Strictly Private & Confidential

Corporate Professionals
WHERE EXCELLENCE IS LAW

SEBI Reg. No: INM000011435
Ref. No: CPC/MB/062/2014-15
Dated: 12th March 2015

To,
The Board of Directors
THE OUDH SUGAR MILLS LIMITED (OSML)
AND
UPPER GANGES SUGAR & INDUSTRIES LIMITED (UGSIL)
AND
PALASH SECURITIES LIMITED (PSL)
AND
ALLAHABAD CANNING LIMITED (ACL)
AND
GANGES SECURITIES LIMITED (GSL)
AND
CINNATOLLIAH TEA LIMITED (CTL)
AND
VAISHALI SUGAR & ENERGY LIMITED (VSEL)
AND
MAGADH SUGAR & ENERGY LIMITED (MSEL)
AND
AVADH SUGAR & ENERGY LIMITED (ASEL)

Subject: Fairness Opinion on the valuation report of valuer pursuant to composite scheme of arrangement

Dear Sir,
We refer to our letter of engagement for the purpose of arriving at a fairness opinion on the valuation report of the valuer in reference to the composite scheme of arrangement, pursuant to the provisions of Section 391-394 and other applicable provisions of the Companies Act, 1956 and Companies Act, 2013 and/or Rules/Regulations made there under:

Corporate Professionals Capital Pvt. Ltd. D-28, South Extn. Part-I New Delhi 110049

Major parts of scheme are as under -

Part I Definitions and Share Capital

Part II Deals with demerger of food processing and Investments Business Undertaking of Oudh Sugar Mills Limited to Palash Securities Limited.

Part III Deals with transfer of food processing Business Undertaking of Palash Securities Limited to Allahabad Canning Limited.

Part IV Deals with demerger of Tea Business and Investments Business Undertaking of Upper Ganges Sugar & Industries Limited into Ganges Securities Limited.

Part V Deals with transfer of Tea Business Undertaking of Ganges Securities into Cinnatolliah Tea Limited.

Part VI Deals with transfer of Bihar Sugar Business Undertaking of Oudh Sugar Mills Limited into Vaishali Sugar & Energy Limited.

Part VII Deals with demerger of Bihar Sugar Business Undertaking of Upper Ganges Sugar & Industries Limited into Magadh Sugar & Energy Limited.

Part VIII Deals with merger of Vaishali Sugar & Energy Limited with Magadh Sugar & Energy Limited.

Part IX Deals with merger of residual Oudh Sugar Mills Limited and Residual Upper Ganges Sugar & Industries Limited with Avadh Sugar & Energy Limited.

It is clarified in the scheme that-

Part III of the Scheme shall take effect and be operative after coming into effect of Part II of the Scheme;

Part V of the Scheme shall take effect and be operative after coming into effect of Part IV of the Scheme;

Corporate Professionals Capital Pvt. South Extn. Part-I New Delhi 110049

Part VIII of the Scheme shall take effect and be operative after coming into effect of Part VI and VII of the Scheme; and

Part IX of the Scheme shall take effect and be operative after coming into effect of Part II, IV and VIII of the Scheme.

In terms of our engagement letter, 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 the companies detailed above. 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 that 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	**Maneesh Srivastava**
Vice President	**Senior Manager**

Content

RATIONALE OF THE COMPOSITE SCHEME OF ARRANGEMENT

This Composite Scheme of Arrangement (hereinafter called 'the Scheme') has been propounded under Sections 391 to 394 and other applicable provisions, if any, of the Companies Act, 1956. The Board of Directors of the companies considers that the Composite Scheme of Arrangement would benefit the respective companies and their respective stakeholders on account of the following reasons:

1. Oudh Sugar is engaged in the business of manufacture and sale of sugar, ethyl alcohol including ethanol, co-generation of power and by-products. Further, Oudh Sugar is also engaged in the business of Food Processing and has investment in listed and unlisted securities.
2. Upper Ganges is engaged in the business of manufacture and sale of sugar, ethyl alcohol including ethanol, co-generation of power and by-products. Further, Upper Ganges is also engaged in the business of manufacture and sale of Tea and has investment in listed and unlisted securities.
3. The management of Oudh Sugar and Upper Ganges with a view to achieve the following objectives proposes to restructure and de-link its multiple businesses in separate entities:
   a. Establish independent companies for Bihar Sugar Undertakings of Oudh Sugar and Upper Ganges, UP Sugar Undertakings of Oudh Sugar and Upper Ganges, Investments of Oudh Sugar and Upper Ganges, Food Processing Undertaking of Oudh Sugar and Tea Undertaking of Upper Ganges.
   b. Each of the above mentioned business undertakings have variant capital needs and require a distinct skill set. The Sugar Business is a highly capital intensive business with high risk and rewards. On the other hand the capital requirements are low in Food Processing Business and Tea Business along with low risk to rewards ratio. Accordingly each of the Businesses have their respective set of assets, liabilities and employees.

   Hence with a view to have concentrated effort and focus by the senior management on each business, the company intends to house each business in separate legal entity.

   c. The dynamics of the sugar industry in Bihar and UP are vastly different, therefore the consolidation of the Sugar Business of Oudh Sugar and Upper Ganges in Bihar and UP in separate legal entities is intended to achieve better efficiencies and commercial synergies.
   d. The Food Processing Business and Tea Business has good growth potential. With a view to explore the potential of these businesses to the fullest, provide focused leadership and management attention and explore the possibility of monetization of these businesses, it is

Corporate Professionals Capital Pvt. D-28, South Ext. Part-I New Delhi 110049 intended to house the Food Processing Business and Tea Business in separate legal entities

e. Proposed business re-alignment will create enhanced value for all stakeholders of the two companies as it would facilitate focused strategy, direction and business planning to optimize operational, managerial, financial, technical and marketing capabilities of each business. It will help in optimization of the resources and reduction of the operational costs.

f. The Board of Directors of Oudh Sugar and Upper Ganges believe that the proposed business restructuring will lead to enhanced operational, managerial, financial and technological synergy and thereby enable each entity to address challenges of rising competitiveness.

In consideration of the above mentioned business rationale and related benefits, this Scheme between Oudh Sugar, Upper Ganges, Palash Securities, Allahabad Canning, Ganges Securities, Cinnatolliah Tea, Vaishali Sugar, Magadh Sugar and Avadh Sugar is being proposed in accordance with the terms set out in the Composite Scheme of Arrangement. The appointed date of the scheme is 01/04/2015.

Corporate Professionals Capital Pvt. Ltd.
D-28, South Extn. Part-I New Delhi 110049

BRIEF ABOUT COMPANIES

The Oudh Sugar Mills Limited (hereinafter called 'OSML'), is engaged in the business of manufacture and sale of sugar and it's by-products (Molasses and Bagasse) & Spirit (including Ethanol and Power). Further, Oudh Sugar is also engaged in the business of Food Processing and Investments. The equity shares of Oudh Sugar are listed on the National Stock Exchange of India (NSE) and the Bombay Stock Exchange (BSE).

Upper Ganges Sugar & Industries Limited (hereinafter called 'UGSIL'), is engaged in the business of manufacture and sale of sugar and it's by-products (Molasses and Bagasse) & Spirit (including Ethanol and Power). Further, Upper Ganges is also engaged in the business of Investments and has Tea Business in Assam. The equity shares of Upper Ganges are listed on the National Stock Exchange of India (hereinafter called 'NSE'), the Bombay Stock Exchange (hereinafter called 'BSE') and the Calcutta Stock Exchange (hereinafter called 'CSE').

Palash Securities Limited (hereinafter called 'PSL') is a public limited company being incorporated as per the Companies Act, 2013 and as per the Object Clause of the Memorandum of Association ('MoA') can carry on the business of Investments in listed and unlisted securities and Food Processing.

Allahabad Canning Limited (hereinafter called 'ACL') is a public limited company being incorporated as per the Companies Act, 2013 and as per the Object Clause of the Memorandum of Association ('MoA') can carry on the business of Food Processing.

Ganges Securities Limited (hereinafter called 'GSL') is a public limited company being incorporated as per the Companies Act, 2013 and as per the Object Clause of the Memorandum of Association ('MoA') can carry on the business of Investments in listed and unlisted securities and Tea..

Cinnatolliah Tea Limited (hereinafter called 'CTL') is a public limited company being incorporated as per the Companies Act, 2013 and as per the Object Clause of the Memorandum of Association ('MoA') can carry on the business of Tea Estates.

Vaishali Sugar & Energy Limited (hereinafter called 'VSEL') is a public limited company being incorporated as per the Companies Act, 2013 and as per the Object Clause of the Memorandum

VALUER ANALYSIS

The Valuer, M/s Walker Chandiok & Co LLP, Chartered Accountants has-

1. Recommended the share entitlement ratio vide their 3 separate reports dated 12th March 2015 on the proposed demergers as envisaged in Part II, Part IV and Part VII of the composite scheme.

2. Recommended the share entitlement ratio vide their consolidated report dated 12th March 2015 on the proposed merger envisaged in Part VIII and Part IX of the composite scheme.

3. Stated in the above reports that transfer of undertakings as envisaged in Part III, Part V and VI of the composite scheme shall take place at Book value between their respective wholly owned subsidiaries at consideration decided by the management.

4. The valuation date has been fixed at 31/12/2014.

<u>Valuer analysis in case of Demerger of Business Undertakings</u>

➢ The proposed Demerger of Food processing and Investments Business Undertaking of OSML to Palash securities Limited will be in accordance with Section 2(19AA) of the Income Tax Act, 1961and accordingly OSML will transfer the assets and liabilities of the Food Processing and Investments Business Undertakings to Palash Securities at its book value as appearing in the books of OSML against which at the shareholders of OSML will be issued equity shares of Palash Securities . The shareholders of OSML would be entitled to shares of Palash securities in the same proportion which they currently own directly in OSML. *Accordingly, the share entitlement ratio in the event of Demerger of Food Processing and Investment Business Undertakings of OSML to Palash Securities Limited as suggested by the management as under is fair:*

27(Twenty seven) fully paid equity share of Face Value INR 10 (Rupee Ten) each of Palash Securities for every 70 (Seventy) fully paid equity share of Face Value INR 10 (Rupee Ten) each held in OSML

➢ In the proposed Demerger of Tea Business and Investments Business Undertaking of UGSIL to Ganges Securities Limited will be in accordance with Section 2(19AA) of the Income Tax Act, 1961 and accordingly , UGSIL will transfer the assets and liabilities of the Tea Estates and Investments

Undertaking to Ganges Securities at its book value as appearing in the books of UGSIL against which the shareholders of UGSIL will be issued equity shares of Ganges Securities. The shareholders of UGSIL would be entitled to shares of Ganges Securities in the same proportion which they currently own directly in UGSIL.

Accordingly, the share entitlement ratio in the event of Demerger of Tea Estate and Investments Business Undertakings of UGSIL to Ganges Securities Limited as suggested by the management as under is fair.

77(Seventy seven) fully paid equity shares of Face Value INR 10 (Rupee Ten)each of Ganges Securities for every 89 (Eighty Nine) fully paid equity shares of Face Value INR 10 (Rupee Ten) each held in UGSIL.

In Demerger of Bihar Sugar Business Undertaking of UGSIL to Magadh Sugar & Energy Limited (proposed to be a wholly owned subsidiary of UGSIL)will be in accordance with Section 2(19AA) of the Income Tax Act, 1961 and accordingly. UGSIL will transfer the assets and liabilities of the Bihar Sugar Business Undertaking to Magadh Sugar at its book value as appearing in the books of UGSIL against which the shareholders of UGSIL will be issued equity shares of Magadh Sugar. The shareholders of UGSIL would be entitled to shares Magadh Sugar in the same proportion which they currently own directly in UGSIL. .The Shareholders of UGSIL would be entitled the same proportion of the shares of Magadh Sugar which they currently own directly in UGSIL..

Accordingly, the share entitlement ratio in the event of demerger of Bihar Sugar Business Undertaking of UGSIL to Magadh Sugar as suggested by the Management as under is fair:

88 (Eighty Eight) fully paid equity share of Face Value INR 10 (Rupees Ten) each of Magadh Sugar for every 113 (One Hundred and Thirteen) fully paid equity share of Face Value INR 10 (Rupee Ten) each held in UGSIL.

<u>Valuer analysis in case of Transfer of Business undertakings-</u>

In the transfer of Food Processing business undertaking of Palash Securities Limited into Allahabad Canning Limited (proposed to be a wholly owned subsidiary of "PSL") at Book Value, Allahabad Canning shall discharge the consideration of Rs. 10,93,45,878 (Rupees Ten Crores Ninety Three Lacs Forty Five Thousand Eight Hundred and Seventy Eight only) to PSL based at Book Value. The mode of payment shall be in such mode and manner as may be agreed by the Board of directors of Palash Securities and Allahabad Canning.

In the transfer of Tea business undertaking of Ganges Securities Limited into Cinnatolliah Tea Limited (proposed to be a wholly owned subsidiary of "GSL") at Book Value, Cinnatolliah Tea shall discharge the consideration of Rs. 26,12,53,958 (Rupees Twenty Six Crores Twelve Lacs Fifty Three Thousand Nine Hundred and Fifty Eight only) to GSL based at Book Value. The mode of payment shall be in such mode and manner as may be agreed by the Board of directors of Ganges Securities Limited and Cinnatolliah Tea Limited.

OSML is considering transfer of the Bihar Sugar Business Undertaking of OSML to Vaishali Suagr (a proposed wholly owned subsidiary of OSML) at book value with 50,000 equity shares of Vaishali sugar being issued to OSMl as determined by the Management.

Valuer analysis in case of Mergers of Companies

- **Merger of Vaishali Sugar & Energy Limited with Magadh Sugar & Energy Limited** at fair valuation of Vaishali Sugar & Energy Limited and Magadh Sugar & Energy Limited, such that the equity share's of the merged entity would be issued to the equity share holders of Vaishali Sugar & Energy Limited based on a fair share exchange ratio approved by the share holders of both the companies.

The fair share exchange ratio for the proposed amalgamation of Vaishali Sugar with Magadh Sugar would be

276 (Two Hundred and Seventy Six) fully paid up equity shares of face value of INR 10 each of Magadh Sugar for every 13(Thirteen) fully paid up equity shares of face value of INR 10 each of Vaishali Sugar.

- **Merger of residual Oudh Sugar Mills Limited and Residual Upper Ganges Sugar & Industries Limited into Avadh Sugar & Energy Limited**, where equity shares of Avadh Sugar & Energy Limited will be issued to the equity shareholders of UGSIL & OSML based on the relative valuation of the Residual OSML & Residual UGSIL and pursuant to the approval of the share exchange ratio by the share holders of both the companies.

The fair share exchange ratio for the proposed amalgamation of Residual OSML and Residual UGSIL into Avadh Sugar would be

2 (Two) fully paid up equity shares of face value of INR 10 each of Avadh Sugar for every 9 (Nine) fully paid up equity shares of face value of INR 10 each of OSML.

11 (Eleven) fully paid up equity shares of face value of INR 10 each of Avadh Sugar for every 30 (Thirty) fully paid up equity shares of face value of INR 10 each of UGSIL.

Abstract from valuation Report for the valuation methodology in case of mergers.

1. **Market Based**

- **Market Price Method**

This valuation method reflects the price that the market, at a point in time, is prepared to pay for the shares of an entity. It is therefore influenced by the condition of the stock market, and the concerns and opportunities that are seen for the business in the sector or market in which it operates. The market price also reflects the investor's view of the ability of management to deliver a return on the capital it is using. Clearly, this method can be used only in case of shares of a company listed on a stock exchange.

In the present case, while the shares of OSML and UGSIL are currently listed, the present evaluation is of the Entities for which no independent quoted market price is available. In light of the above, in arriving at the fair share exchange ratios, we have not considered this method for valuations of the Entities.

- **Market Multiple Method**

Under this methodology, appropriate valuation multiples of comparable listed companies are computed and applied to the financials of the company or business being valued in order to arrive at a multiple based valuation.

This method applies a reasonable multiple to the relevant operating performance metrics of the company or business being valued to estimate its Equity Value. The relevant multiple is derived from reference to market based conditions of similar quoted companies. The methodology is considered appropriate to use for an established business with an identifiable stream of continuing revenues that are considered maintainable.

We have used this method for deriving the Equity Value of the Entities. We have used the Enterprise Value / EBITDA multiple under the MM approach to arrive at the value of the undertakings under each Entity. The equity values of the Entities have been then arrived at by adding the values of the respective undertakings under the Entity.

2. **Asset Based**

- **Adjusted Net Asset Value Method (NAV)**

The value arrived at under this approach is based on the audited / provisional financial statements of the business and may be defined as Shareholders' Funds or Net Assets owned by the business. The NAV method is generally used as the minimum break-up value for the transaction since this methodology ignores the future return the assets can produce and is calculated using historical accounting data that may not reflect the worth of the business. **Hence, we have not considered this method for the valuation exercise of the Entities.**

3. **Income Based**

- **Discounted Cash flow Method (DCF)**

The DCF method is considered the most theoretically sound approach and scientific and acceptable method for determination of the value of a business. Under this technique the projected free cash flows from business operations are discounted at the weighted average cost of capital to the providers of capital to the business, and the sum of the present discounted value of such free cash flows is the value of the business.

The future free cash flows are derived considering, inter alia, the changes in the working capital and investments in capital expenditure. They are an aggregation of the free cash flows during the explicit forecast period, prepared based on the business plan, and during the post explicit forecast period, estimated using an appropriate method, and are available to all providers of the company's capital, both debt and equity.

The discount rate i.e. weighted average cost of capital (WACC), which is applied to the free cash flows should reflect the opportunity cost to all the capital providers (namely shareholders and creditors), weighted by their relative contribution to the total capital of the business. Determining the WACC, involves determining the Debt Equity ratio, Cost of Debt and the Cost of Equity.

The valuer has applied the DCF method for the valuation of Entities. The DCF has been carried out at the undertaking levels and the values of the undertakings of the respective Entities have been added to arrive at the total values of the Entities. The projections for the undertakings have been provided by the Management of the Companies and furnished to us to arrive at their values. To the value of the undertakings so arrived, we have made suitable adjustments to arrive at the total equity value of the Entities.

Valuation of the Entities

The fair basis of valuation has to be determined after taking into consideration all the relevant factors relating to the Companies, the industry and the methodologies mentioned hereinabove. As mentioned above, the values of the undertakings of the individual Entities have been carried out using the Market Multiple Method and Discounted Cash Flow Method.

While different values have been arrived at under these methodologies, for the purposes of recommending the equity share exchange ratio, it is necessary to arrive at a single equity value of each of the Entities. It is however important to note that in doing so, we are not attempting to arrive at the absolute equity values of each of the Entities but their relative values to facilitate the determination of a fair share exchange ratio. For this purpose, it is necessary to give appropriate weights to the values arrived at under each methodology.

We have applied equal weights to the value of the undertakings arrived at under different methodologies, based on their evaluation and judgement of the businesses to arrive at weighted average value of the undertakings. The weighted average values of the undertakings of the respective Entity are added to arrive at the individual Entity values in order to derive the fair share exchange ratios for the Proposed Amalgamations. In the ultimate analysis, valuation will have to be arrived at by the exercise of judicious discretion by the Valuer and judgments taking into account all the relevant factors.

The fair share exchange ratio of equity shares of the Entities have been arrived based on the various methodologies explained herein earlier and various qualitative factors relevant to each Entity and the business dynamics and growth potentials of the businesses of the Entities, having regard to information base, key underlying assumptions and limitations.

Sources of Information relied by Valuer

For the purposes of the valuation exercise, the valuer has relied upon the following sources of information:

- Audited financial statements for the year ending 31 March 2013 and 31 March 2014 of Hargaon, Hata, Rosa, Seohara, Narkatiyaganj, Bharat and Hasanpur (together referred to as the "Seven Undertakings");
- Provisional financial statements for the Seven Undertakings as on 31 December 2014.
- Projected financial statements of the Seven Undertakings from FY15 to FY19.
- Workings for Capital Subsidy expected to be received for Hasanpur in September 2015 as provided by the Management of the Companies.
- Draft Composite Scheme of Arrangement under the provisions of Sections 391 to 394 of the Companies Act, 1956 and other applicable provisions of the Companies Act, 1956 and /or the Companies Act, 2013 (to the extent notified and applicable) and
- Published and Secondary sources of data either provided by the Management of OSML or UGSIL or procured from public domain.

Corporate Professionals C... South

CONCLUSION & OPINION

With reference to above and based on information provided by the management of the entities forming part of the arrangement and after analyzing the valuation reports under all the parts of the Scheme, we came to the following conclusion.

- In reference to the demergers i.e. Demerger of food processing and Investments Business Undertaking of OSML into Palash Securities Limited , Demerger of Tea Business and Investments Undertaking of UGSIL into Ganges Securities Limited and Demerger of Bihar Sugar Undertaking of UGSIL to Magadh Sugar & Energy Limited, we understand that all these demerger of businesses are proposed respective to be in their wholly owned subsidiaries, and the shareholders of Demerged Companies would be entitled to get the same proportion of shares in the resulting companies.

- In reference to the Transfer and vesting of business undertaking i.e. Transfer & vesting of food processing Business Undertaking of Palash Securities Limited into Allahabad Canning Limited, Tea Business Undertaking of Ganges Securities into Cinnatolliah Tea Limited and Bihar Sugar Business Undertaking of Oudh Sugar Mills Limited into Vaishali Sugar & Energy Limited, we understand that the above said transfers and vesting of businesses are taking place to their Wholly owned subsidiaries.

- In reference to Merger of Vaishali Sugar & Energy Limited with Magadh Sugar & Energy Limited and Merger of residual Oudh Sugar Mills Limited and Residual Upper Ganges Sugar & Industries Limited with Avadh Sugar & Energy Limited the Valuer has considered Market price method, Market multiple method, Asset Based method and Income based method and applied the Income based method i.e. discounted cash flow and Market multiple method.

"Subject to above read with the caveats as detailed later, we as a Merchant Banker hereby certify that pursuant to Clause 24(h) of the listing agreement and SEBI Circular No CIR/CFDDIL/5/2013,dated February 04, 2013 and clarified by SEBI Circular No CIR/CFDDIL/8/2013 dated May 21, 2013,we have reviewed the valuation report in reference to the composite scheme of arrangement and believe the same to be fair-and reasonable to the 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. 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 Companies.

- 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.

- We have no present or planned future interest in any of the above mentioned companies and the fee payable for this opinion is not contingent upon the opinion reported herein.

- Our Fairness Opinion should not be construed as investment advice; specifically, we do not express any opinion on the suitability or otherwise of entering into the proposed transaction.

- 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 OSML and UGSIL along with all other companies involved 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 Report.

Corporate Professionals Capital Pvt. Ltd.
D-28
South Ext. Part-I
New Delhi
110049