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**STRICTLY PRIVATE & CONFIDENTIAL**

July 4, 2014

**The Board of Directors**  
**Gokul Refoils and Solvent Limited**  
Gokul House,  
43 - Shreemali Co-op. Housing Society Ltd.,  
Opp. Sikhar Building, Navrangpura,  
Ahmedabad - 380 009, Gujarat, India

**The Board of Directors**  
**Gokul Agro Resources Limited**  
89, Meghpar, Borichi, Galpadar Road,  
Near Sharma Resorts, Gandhidham - 370240,  
Gujarat, India

**Re: Report on Recommendation of proposed Share Entitlement Ratio for issue of equity shares of Gokul Agro Resources Limited to the shareholders of Gokul Refoils and Solvent Limited in consideration for the demerger of "Gandhidham Undertaking" and "Gandhidham Windmill Undertaking" of Gokul Refoils and Solvent Limited into Gokul Agro Resources Limited;**

Dear Sirs,

We have been informed by the management of Gokul Refoils and Solvent Limited (hereinafter referred to as "GRSL") that they propose to demerge "Gandhidham Undertaking" and Gandhidham Windmill Undertaking" (hereinafter collectively referred to as "Demerged Undertakings" or "Gandhidham Undertakings") of GRSL into Gokul Agro Resources Limited (hereinafter referred to as "GARL") and for this purpose, we have been requested to recommend a share entitlement ratio for issue of equity shares to the shareholders of GRSL. We have been informed that the proposed demerger will be in accordance with the provisions of section 2(19AA) of the Income Tax Act, 1961 (hereinafter referred to as "IT Act").

Further we have been informed that the management of GRSL is proposing to transfer "Sidhpur Undertaking" and "Sidhpur Windmill Undertaking" ("Sidhpur Undertakings") of GRSL to Gokul Agri International Limited (hereinafter referred to as "GAIL") for a consideration, to be agreed upon on a later date.

GRSL, GARL and GAIL hereinafter will be collectively referred to as "Companies". The above is proposed to be done pursuant to the Composite Scheme of Arrangement between GRSL, GARL and GAIL and their respective shareholders under section 391 to 394, read with sections 78, 100



**GOKUL REFOILS & SOLVENT LTD.**

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*[Signature]*  
**AUTHORISED SIGNATORY**

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to 103 of the Companies Act, 1956 and section 52 of the Companies Act, 2013 (hereinafter referred to as the "Scheme") with an appointed date of January 1, 2015.

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## **1. BACKGROUND**

### **1.1 GOKUL REFOILS AND SOLVENT LIMITED**

1.1.1 GRSL is an India-based fast moving consumer goods (FMCG) company. The Company operates in agro-based commodities, which includes product groups, such as Soya bean oil, Palmolin, Cotton seed oil, sunflower oil, mustard seed oil, castor oil, oil cakes, de oiled cakes, vanaspati, oil seeds and other agro commodities. The Company operates in Agro-based Commodities segment. The Company owns production plants in the states of Gujarat and West Bengal in India namely Sidhpur, Gandhidham, and Haldia operate in conjunction to give the optimum yield. GRSL has two brands in edible oil category Gokul and Zaika.

1.1.2 Gandhidham Undertaking is primarily engaged in the business of manufacturing process of Crushing, Refining, Solvent, Fractionation, Hydrogenation and Packing. Gandhidham Windmill Undertaking is primarily engaged in wind power generation and distribution. The same is reproduced in Annexure I to this Report.

1.1.3 The other undertakings viz. Sidhpur Undertaking is primarily engaged in the business of manufacturing process of Crushing, Refining, Solvent and Packing; Sidhpur Windmill Undertaking is primarily engaged in wind power generation and distribution and Haldia Undertaking is primarily engaged in the business of manufacturing process of Refinery, Interesterification, Fractionation and Packing.

1.1.4 As on June 30, 2014, the promoters of GRSL hold 74.47% of the equity share capital of GRSL and the remaining 25.53% are held by the public.

1.1.5 The shares of GRSL are listed on BSE Limited and National Stock Exchange of India Limited.

### **1.2 GOKUL AGRO RESOURCES LIMITED**

1.2.1 Gokul Agro Resources Limited is a company incorporated on July 3, 2014 having its registered office at 89, Meghpar, Borichi, Galpadar Road, Near Sharma Resorts, Gandhidham - 370240, Gujarat, India. We have been informed that the company is a wholly owned subsidiary of GRSL.



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1.2.2 GARL is engaged in the business of edible oils such as Soya bean oil, Cottonseed oil, Palm oil (Palmolein), Sunflower oil, Mustard oil, Groundnut oil, Vanaspati and Industrial oil such as Castor oil.

## 2. SOURCES OF INFORMATION

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

- (a) Management Certified position of assets and liabilities of "Gandhidham Undertakings" of GRSL as on March 31, 2014 prepared in compliance with section 2(19AA) of the Income Tax Act.
- (b) Draft Composite Scheme of Arrangement under section 391 to 394 read with sections 78, 100 to 103 of the Companies Act, 1956 and section 52 of the Companies Act, 2013.
- (c) Such other information and explanations as we required and which have been provided by the management of Companies.

## 3. EXCLUSIONS AND LIMITATIONS

- 3.1 Our report is subject to the scope 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.
- 3.2 No investigation 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.
- 3.3 Our work does not constitute certification of the historical financial statements including the working results of the Companies 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. Our analysis and results are specific to the purpose of this report as per agreed terms of our 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.
- 3.4 We have not carried out audit of the information provided for the purpose of this engagement. We assume no responsibility for any errors in the above information



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furnished by the Companies and consequential impact on the present exercise.

- 3.5 Our report is not, nor should it be construed as our opining or certifying the compliance of the proposed demerger and transfer with the provisions of any law including companies, taxation and capital market related laws or as regards any legal implications or issues arising from such proposed demerger and transfer.
- 3.6 Any third person/party intending to provide finance/invest in the shares/businesses of any of the Companies / Undertakings, 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. 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 transfer as aforesaid or pursuant to a legal or regulatory requirement, can be done only with our prior permission in writing.
- 3.7 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.
- 3.8 SSPA, nor its partners, managers, employees or agents of any of them, makes 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 FOR PROPOSED DEMERGER**

4.1 As per Management Certified financials of Gandhidham Undertaking and Gandhidham Windmill Undertaking of GRSL, its Net Assets as on March 31, 2014 is INR 173.39 crores.

The working for the same is given below:

**GOKUL REFOILS AND SOLVENT LIMITED - GANDHIDHAM UNDERTAKINGS  
NET ASSET VALUE**

Particulars	(INR Crores)	
	Amount	
Non Current Assets	164.39	
Current assets	732.09	
Current Liabilities	(693.95)	
Deferred tax liabilities (net)	(0.52)	
Borrowings	(28.62)	
<b>Net Assets Value of Gandhidham Undertakings of GRSL</b>	<b>173.39</b>	



4.2 We have also considered alternative capital structures for GARL on the basis of following factors:

- Future equity servicing capacity of GARL; and
- Avoiding fractional entitlement in hands of the shareholders.

**5. RECOMMENDED SHARE ENTITLEMENT RATIO**

5.1 Based on our review, information made available to us, work performed and discussion with the management of GRSL, a ratio of 1 (One) equity share of INR 2 each fully paid up of GARL for every 1 (One) existing equity share of GRSL of INR 2 each fully paid up to equity shareholders of GRSL in consideration for the demerger of "Gandhidham Undertakings" would be reasonable.

5.2 We believe that the above ratio is fair considering that all the shareholders of GRSL are and will, upon demerger, be the ultimate beneficial owners of GARL and in the same ratio (inter se) as they hold shares in GRSL.

Thank you,  
Yours faithfully,

SSPA & Co



SSPA & CO.  
Chartered Accountants  
Firm registration number: 128851W

Place: Mumbai



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“Gandhidham Undertaking” means the Gandhidham business division of Gokul Refoils and Solvent Limited on a going concern basis including assets including investments & liabilities, pertaining to Gandhidham Undertaking. Without limiting generality of the foregoing, Gandhidham Undertaking shall include but not limited to:

- a. All the assets and properties as on the Appointed Date pertaining to the Gandhidham Undertaking;
- b. All the debts, liabilities, duties and obligations including contingent liabilities pertaining to the Gandhidham Undertaking;
- c. Without prejudice to the generality of above, the Gandhidham Undertaking shall include land or piece of land, buildings, the movable properties covering plant and machinery, equipment, furniture, fixtures, vehicles, Capital work in progress, leasehold assets and other properties, real, corporeal and incorporeal, in possession or reversion, present and contingent assets (whether tangible or intangible) of whatsoever nature and wheresoever situated including but without being limited to cash in hand, bank balance, investments, claims, powers, authorities, allotments, approvals, consents, letters of intent, registrations, licenses (including but not limited to sales tax registrations, VAT registrations, tax registrations), contracts, agreements, engagements, arrangements, rights, credits, titles, interests, benefits, advantages, leasehold rights, sub-letting tenancy rights, with or without the consent of the landlord as may be required, goodwill, other intangibles, permits, authorizations, trademarks, trade names, labels, brands, patents, patent rights, copyrights, designs, and other industrial and intellectual properties and rights of any nature whatsoever including labels, designs, know-how, domain names, or any applications for the above, assignments and grants in respect thereof, import quotas and other quota rights, right to use and avail of telephones, telex, facsimile 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 of all agreements, arrangements, deposits, advances, recoverables and receivables, whether from government, semi-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, permissions, and approvals of whatsoever nature (including but not limited to benefits of tax relief including



- under the IT Act such as credit for advance tax, taxes deducted at source, minimum alternate tax etc., unutilized deposits or credits, benefits under the VAT / Sales Tax law, VAT/sales tax setoff, unutilized deposits or credits, benefits of any unutilized MODVAT / CENVAT / Service tax credits, etc.);
- d. All employees engaged in or in relation to the Gandhidham Undertaking as on the Effective Date;
- e. All records, files, papers, engineering and process information, computer programs, computer software, manuals, data catalogues, quotations, sales and advertising materials, list of present and former customers and suppliers, customers credit information, customers pricing information and other records, whether in physical form or electronic form in connection with or relating to the Gandhidham Undertaking

Explanation A: Whether any particular asset or liability should be included or excluded as asset or liability of the Gandhidham Undertaking or otherwise shall be decided mutually by the Board of Directors or any committee thereof of GRSL and GARL;

Explanation B: For the purpose of this Scheme, it is clarified that liabilities pertaining to the Gandhidham Undertaking of GRSL shall comprise the liabilities, borrowings, debts and loans as agreed between GRSL and GARL which will cover:

- a. The liabilities, which arise out of the activities or operations of the Gandhidham Undertaking;
- b. Specific loans and borrowings raised, incurred and utilized solely for the activities or operation of the Gandhidham Undertaking;
- c. Liabilities other than those referred to in sub-clauses a. and b. above and not directly relatable to the Remaining Undertaking of GRSL, being the amounts of general or multipurpose borrowings of GRSL shall be allocated to the Gandhidham Undertaking of GRSL in the same proportion which the value of the assets transferred under this sub-clause bears to the total value of the assets of GRSL immediately before giving effect to this Scheme. The parties shall mutually agree upon the identification of the liabilities to be transferred to GARL as liabilities pertaining to the Gandhidham Undertaking.



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“Gandhidham Windmill Undertaking” means the Gandhidham Windmill Business Undertaking of GRSL on a going concern basis including assets & liabilities pertaining to Gandhidham Windmill Undertaking. Without limiting generality of the foregoing, Gandhidham Windmill Undertaking shall include;

- a. All assets and liabilities of GRSL pertaining to Gandhidham Windmill Undertaking
- b. Without prejudice to the generality of the provisions of above, the Gandhidham Windmill Undertaking shall include –

The whole of the undertaking of Gandhidham Windmill Undertaking of GRSL, as a going concern, including all debts, liabilities, duties and obligations and all the assets and properties, whether moveable or immovable, real or personal, in possession or reversion, corporeal or incorporeal, tangible or intangible, present or contingent and including but without being limited to land and building, all fixed and moveable plant and machinery, transmission cables, blades, Roaters, spares, vehicles, fixed assets, work in progress, current assets, investments, reserves, provisions, funds, quota, rights, import quotas, licenses, registrations, copyrights, patents, trade names, trademarks and other industrial rights and licenses in respect of the Gandhidham Windmill Undertaking, applications for copyrights, patents, trade names, trademarks, leases, licenses, tenancy rights, premises, ownership flats, hire purchase and lease arrangements, computers, office equipment, telephones, telexes, facsimile connections, communication facilities, equipment and installations, benefits of agreements, contracts and arrangements, powers, authorities, permits, allotments, approvals, consents, privileges, liberties, advantages, easements and all the right, title, interest, goodwill, benefit and advantage, deposits, reserves, provisions, advances, receivables, funds, cash, bank balances, accounts and all other rights, claims and owners of whatsoever nature and wheresoever situate belonging to or in the possession of or granted in favour of or enjoyed by GRSL in connection with or pertaining or relatable to the Gandhidham Windmill Undertaking and all earnest money and/ or deposits including security deposits paid by GRSL in connection with or relating to Gandhidham Windmill Undertaking and approvals of whatsoever nature (including but not limited to benefits of tax relief including under the IT Act such as credit for advance tax, taxes deducted at source, minimum alternate tax etc., unutilized deposits or credits, benefits under the VAT / Sales Tax law, VAT/sales tax setoff, unutilized deposits or credits, benefits of any unutilized





MODVAT / CENVAT / Service tax credits, etc.) relating to the Gandhidham Windmill Undertaking;

For the purpose of this Scheme, It is clarified that liabilities pertaining to the Gandhidham Windmill Undertaking include:

- The liabilities which arise out of the activities or operations of the Gandhidham Windmill Undertaking.
  - Specific loans and borrowings (including debentures, if any) raised, incurred and utilized solely for the activities or operation of Gandhidham Windmill Undertaking.
  - Liabilities other than those referred, to in Sub-clauses a. and b. above, being the amounts of general or multipurpose borrowings of GRSL, allocated to Gandhidham Windmill Undertaking based on discussion between management of GRSL and GAIL.
- c. All employees of GRSL employed in Gandhidham Windmill Undertaking as on the Effective Date.
- d. Any particular asset or liability should be included or excluded as an asset or liability of the Gandhidham Windmill Undertaking or otherwise shall be decided mutually by the Board of Directors or any committee thereof of GRSL and GAIL.



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