

**FAIRNESS OPINION**

**On the**

**Scheme of Compromise / Arrangement between**

**Gujarat NRE Coke Limited**

**And its**

**Unsecured Lenders, FCCB Holders / Sundry Creditors**

**Sumedha Fiscal Services Limited**

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**Sumedha Fiscal Services Limited**  
**SEBI REGN. No. INM000008753**

5<sup>th</sup> October, 2015

**The Board of Directors**  
**Gujarat NRE Coke Limited**  
22, Camac Street  
Block C, 5<sup>th</sup> Floor  
Kolkata – 700016

Dear Sirs,

**Sub: Fairness Opinion on the Scheme of Compromise / Arrangement between Gujarat NRE Coke Limited (GNCL) and its Unsecured Lenders, FCCB Holders / Sundry Creditors under Section 391-394 of the Companies Act, 1956.**

We refer to our discussions and the proposal for engaging Sumedha Fiscal Services Limited (“SFSL”) for rendering the services as an Independent Merchant Banker to Gujarat NRE Coke Limited (“GNCL”, “Company”) for furnishing a “Fairness Opinion” on the Scheme of Compromise / Arrangement of Gujarat NRE Coke Limited (GNCL) and its Unsecured Lenders, FCCB Holders / Sundry Creditors under sections 391-394 of the Companies Act, 1956.

#### 1. Background

**Gujarat NRE Coke Limited (“GNCL”)** the flagship company of Gujarat NRE group, listed with NSE and BSE, is one of the largest independent producers of met coke in India with an installed capacity of 1.5 MTPA. The Company was originally incorporated on 29 January 1986, as a private limited company in the name of M/s. Madhusudan Traders Pvt. Ltd under the Companies Act, 1956. During its earlier years of operation, it was engaged in the business of trading and investment in shares and securities. The name of the Company was subsequently changed to Gujarat NRE Coke Pvt. Ltd. on 10<sup>th</sup> June 1993 and then converted into a public limited company with the name Gujarat NRE Coke Limited with a fresh certificate of incorporation, dated 5<sup>th</sup> July 1993. The primary activity of the Company thereafter changed to manufacturing of metallurgical coke. GNCL has two metallurgical coke plants in Khambhalia and Bhachau in Gujarat and the third plant in Dharwad in Karnataka. GNCL has also forayed into steel making and power generation through the renewable energy route. The company has 87.5 MW wind power energy and also has a mini steel mill in Gujarat to recycle steel scraps using green wind energy to manufacture TMT Bars.



## 2. Scope of Work

- a) We understand that Gujarat NRE Coke Limited (GNCL) wish to enter into the scheme of Arrangement with its Unsecured Lenders, FCCB Holders / Sundry Creditors.
- b) In this connection, the management of GNCL has engaged Sumedha Fiscal Services Limited to submit a report on the fairness of the Scheme of Compromise / Arrangement as per the requirements of Securities and Exchange Board of India Circular No. CIR/CFD/DIL/5/2013 dated February 4, 2013 read with Circular No. CIR/CFD/DIL/8/2013 dated May 21, 2013 and Clause 24(f) of the Listing Agreement entered by the GNCL with the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited. Our scope of work includes commenting only on the fairness of the Scheme of Arrangement.
- c) This report is subject to the scope, limitations and disclaimers detailed hereinafter. As such the report is to be read in totality, not in parts and in conjunction with the relevant documents referred to herein. This report has been issued only for facilitating the Scheme of Compromise / Arrangement of GNCL with its Unsecured Lenders, FCCB Holders / Sundry Creditors and should not be used for any other purpose.

## 3. Sources of Information

We have relied on the following information for framing our opinion on the fairness of the Scheme of Compromise / Arrangement.

- Certified copy of Draft Scheme of Compromise / Arrangement of GNCL with its Unsecured Lenders, FCCB Holders / Sundry Creditors.
- Audited Annual Report GNCL for the Financial Year ("FY") 2013-14, 2014-15 and management certified financial report for the three month period ended June 30, 2015
- Certified Copy of Memorandum & Articles of Association of GNCL.
- Extracts of minutes certified copy towards Shareholders approval dated September 30, 2014 for change in conversion price of FCCB.
- No objection from Reserve Bank of India vide Letter Ref. No. FED.CO.ECBD.15667/03.02.764/2014-15 dated April 06, 2015 towards change in conversion price of FCCB.
- Certified copy of Pre and Post Shareholding Pattern as on September 30, 2015



**4. Rationale and key features in the Scheme of Compromise / Arrangement is as follows:**

**A. The rationale as mentioned in the Scheme of Compromise / Arrangement is as follows:**

The company had a strong track record of profit making and payment of dividend till FY 12-13. However, the company faced the challenges posed by the world economic crisis leading to loss of export business, an uncertain foreign exchange market and price volatility of some of the major inputs. Iron and Steel industry was facing major crisis due to problem in mining of iron ore coupled with overall slowdown of Indian as well world economy. As there was no major investment in infrastructure sector, demand of steel was not peaking up resulting in fewer buyers of metallurgical coke. This led to severe liquidity crunch and subdued profitability in 2013 and the company approached CDR forum to restructure its debt. The CDR Empowered group had considered and approved the restructure proposal of the Company in March, 2014.

Further, in order to improve the net worth position, the promoters of the company proposed to merge two group companies namely NRE Metcoke Ltd. and Bajrangbali Coke Industries Ltd. with GNCL. The proposed merger is expected to have the positive impact on the Balance sheet of GNCL in terms of asset base, and will reduce the operational and regulatory hassles.

Further, it is envisaged that if the arrangement as defined in the present scheme is entered into between the Creditors (as defined in the present scheme) of the company and the company with regard to the outstanding position of the said Creditors as at the cut-off date is considered by the said Creditors, a profitable survival of the company will be ensured and the same shall lead to revival in regeneration of income and reduce the financial liquidity crunch.

**B. The key features of the Scheme of Compromise / Arrangement are as follows:**

- a) The said Compromise / Arrangement scheme would not have any resultant impact on the shareholding pattern and the capital structure of the Company.
  - b) There is neither any addition, reduction of the share capital nor any reconstitution in the share capital of the Company other than continued option at the hands of FCCB holders for conversion into Equity Shares.
  - c) The scheme is intended to bring the payment liabilities to Unsecured Lenders, FCCB Holders / Sundry Creditors of the Company as indicated in the repayment schedule, being Schedule "A" of the Scheme.
- d) Upon the Scheme becoming effective, the dues of the creditors covered under the Scheme shall become payable in the manner specified in the Scheme and all existing



litigations and legal cases initiated by such creditors in relation to such dues and claims against the Company, the guarantors and others connection with the Company, shall stand withdrawn without further act or deed.

5. Pre and Post Shareholding Pattern as on September 30, 2015 will be same as the scheme does not have impact on Shareholding pattern of GNCL, on account of the proposed scheme other than continued option at the hands of outstanding Warrant/ESOP/FCCB holders for conversion into Equity Shares.

a) Ordinary Equity Share

Particulars	Pre		Post	
	No. of Shares	% holding	No. of Shares	% holding
Promoter and Promoter Group	276,200,089	39.96	276,200,089	39.96
Public	414,961,950	60.04	414,961,950	60.04
<b>Total</b>	<b>691,162,039</b>	<b>100.00</b>	<b>691,162,039</b>	<b>100.00</b>

Note: Total Paid up Capital of the Company, assuming full conversion of outstanding warrants and convertible securities including ESOP & FCCB – 871,647,272

b) 'B' Equity Share

Particulars	Pre		Post	
	No. of Shares	% holding	No. of Shares	% holding
Promoter and Promoter Group	20,101,468	38.30	20,101,468	38.30
Public	32,386,542	61.70	32,386,542	61.70
<b>Total</b>	<b>52,488,010</b>	<b>100.00</b>	<b>52,488,010</b>	<b>100.00</b>

Note: Total Paid up Capital of the Company, assuming full conversion of outstanding warrants and convertible securities including ESOP – 52,665,250

6. Limitations of Scope and Review

- a) In the course of the present exercise, we were provided with both written and verbal information, including financial data. We have relied upon the historical financials and the information and representations furnished to us without carrying out any audit or other tests to verify its accuracy with limited independent appraisal. Also, we have been given to understand by the management of the companies that they have not omitted

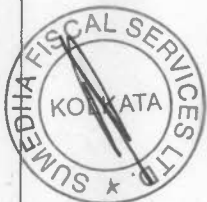


any relevant and material factors. Accordingly, we do not express any opinion or offer any form of assurance regarding its accuracy and completeness. We assume no responsibility whatsoever for any errors and make no representations with respect to the accuracy or completeness of any information furnished by the companies and their impact on the present exercise.

- b) We do not express any opinion as to the price at which shares of GNCL may trade at any time, including subsequent to the date of this opinion. In rendering our opinion, we have assumed, that the Scheme of Compromise / Arrangement will be implemented on the terms described therein, without any waiver or modification of any material terms or conditions, and that in the course of obtaining the necessary regulatory or third party approvals for the Scheme of Compromise / Arrangement, no delay, limitation, restriction or condition will be imposed that would have an adverse effect on GNCL and its subsidiaries and respective shareholders.
- c) Our opinion is not, nor should it be construed with the provisions of any law including companies, taxation, accounting and capital market related laws or as regards any legal implications or issues arising thereon. We understand that the Company has obtained such advice as it deemed necessary from qualified professionals.
- d) We assume no responsibility for updating or revising our opinion based on circumstances or events occurring after the date hereof. Our opinion is specific to the compromise / arrangement as contemplated in the Scheme of Compromise / Arrangement provided to us and is not valid for any other purpose.
- e) Our opinion is not intended to and does not constitute a recommendation to any shareholders as to how such holder should vote or act in connection with the Scheme of Compromise / Arrangement, if required or any matter related thereto.

## 7. Valuation Report

With reference to above and based on information and explanation given to us by the Management of GNCL and the perusal of the Scheme of Compromise / Arrangement, we understand that since this is the scheme of compromise / arrangement between GNCL and its Unsecured Lenders, FCCB Holders / Sundry Creditors, neither any shares are to be issued to any of the person which are or may be directly or indirectly connected with this scheme nor any kind of share capital restructuring is involved other continued option at the hands of FCCB holders for conversion into Equity Shares and therefore there is and will be no change on the shareholding pattern of Gujarat NRE Coke Limited, arising out of the proposed Scheme of Compromise / Arrangement under Section 391-394 of the Companies Act, 1956.



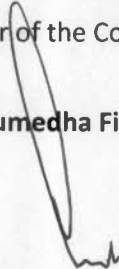
Further, as per explanation given under 4.2 of SEBI Circular No. CIR/CFD/DIL/8/2013 dated May 21, 2013 read with Circular No. CIR/CFD/DIL/5/2013 dated February 4, 2013, 'Valuation Report from an Independent Chartered Accountant' need not be required in cases where there is no change in the shareholding pattern of the listed company.

Based on the above stated points, the Company has not obtained any Valuation Report from an Independent Chartered Accountant for the Scheme of Compromise / Arrangement.

#### 8. Opinion

With reference to above and based on information and explanation provided by the management and subject to the caveats as detailed hereinabove, we are of the opinion that the proposed Scheme of Compromise / Arrangement is without any consideration between Gujarat NRE Coke Limited and its Unsecured Lenders, FCCB Holders / Sundry Creditors and is fair and reasonable since the shareholders of GNCL with continue to remain beneficial owner of the Company in the same proportion as they held it prior to the Scheme.

For Sumedha Fiscal Services Limited

  
Bijay Murmuria  
Director

