

NEXGEN Financial Solutions Pvt. Ltd.

Merchant Banker SEBI Regn No. : INM000011682

NEXGEN

Ref. No. : NEXGEN/SRU-Amalgamation/13-14/02
Date: July 20th, 2013

The Board of Directors
SRU Steels Limited("SSL")
416-417-432, Rajendra Jalna Tower - 1
Plot No. 18, Community Centre
Wazirpur Community Centre,
Delhi - 110052

&

The Board of Directors
Hari Om Narayan Alloys Pvt. Ltd.
("HONAPL")
RJT - 319 3rd Floor,
Rajendra Jaina Tower - 1, Plot No - 18,
Wazirpur Community Centre
New Delhi-110052

The Board of Directors
Goverdhan Metals Pvt. Ltd. ("GMPL")
RJT - 319 3rd Floor,
Rajendra Jaina Tower - 1, Plot No - 18,
Wazirpur Community Centre
New Delhi-110052

The Board of Directors
Hari Om Narayan Steels Pvt.
Ltd.("HONSL")
RJT - 319 3rd Floor,
Rajendra Jaina Tower - 1, Plot No - 18,
Wazirpur Community Centre
New Delhi-110052

The Board of Directors
Nand Gaon Alloys Pvt. Ltd. ("NGAPL")
RJT - 304 3rd Floor,
Rajendra Jaina Tower - 1,
Wazirpur Community Centre
New Delhi-110052

The Board of Directors
Mukutwala Ferro Alloys Pvt. Ltd. ("MFAPL")
382 Rajendra Jaina Tower - 1,
Plot No . 29-30
Wazirpur Community Centre
New Delhi-110052

The Board of Directors
Barsana Alloys Pvt. Ltd. ("BAPL")
RJT - 329 3rd Floor, Rajendra Jaina Tower - 1,
Plot No. - 18, Wazirpur Community Centre
New Delhi-110052

The Board of Directors
Asth Sakhi Alloys Pvt. Ltd. ("ASAPL")
Plot No. - 18, Rajendra Jaina Tower
Wazirpur Community Centre
New Delhi-110052

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Subject: Clause 24 (h) of the Listing Agreement: "Fairness Opinion" of independent Merchant Banker

Ref: Amalgamation of Hari Om Narayan Alloys Pvt. Ltd. ("HONAPL") & Goverdhan Metals Pvt. Ltd. ("GMPL") & Hari Om Narayan Steels Pvt. Ltd. ("HONSL") & Nand Gaon Alloys Pvt. Ltd. ("NGAPL") & Mukutwala Ferro Alloys Pvt. Ltd. ("MFAPL") & Barsana Alloys Pvt. Ltd. ("BAPL") & Asth Sakhi Alloys Pvt. Ltd. ("ASAPL") with SRU Steels Limited ("SSL") through Scheme of Amalgamation under Section 391 to 394 of the Companies Act, 1956

Dear Sir(s)

With reference to the Proposed Amalgamation of Hari Om Narayan Alloys Pvt. Ltd. ("HONAPL") & Goverdhan Metals Pvt. Ltd. ("GMPL") & Hari Om Narayan Steels Pvt. Ltd. ("HONSL") & Nand Gaon Alloys Pvt. Ltd. ("NGAPL") & Mukutwala Ferro Alloys Pvt. Ltd. ("MFAPL") & Barsana Alloys Pvt. Ltd. ("BAPL") & Asth Sakhi Alloys Pvt. Ltd. ("ASAPL") with SRU Steels Limited ("SSL") through a Scheme of Amalgamation under section 391 to 394 of the Companies Act, 1956 in pursuance to business valuation carried out by **B.M. Sharma & Associates, Chartered Accountants (Referred to as "Valuer or B.M. Sharma & Associates")** for determining the fair share exchange ratio between HONAPL and SSL, GMPL and SSL, HONSL and SSL, NGAPL and SSL, MFAPL and SSL, BAPL and SSL & ASAPL and SSL as on March 18th, 2013.

We as a Merchant Banker hereby certify that pursuant to the Clause 24 (h) of the listing Agreement, we have reviewed the valuation report prepared by B.M. Sharma & Associates and are of the opinion that the Swap Ratio (Exchange Ratio) of Shares of the above companies should be taken as "**Fair**" for the Proposed Amalgamation in view of our understanding & review of the report of the **Valuer** herein placed below:

1. ABOUT THE COMPANIES

The Business Segments of the companies are given herein under:

- 1.1 Hari Om Narayan Alloys Pvt. Ltd. ("HONAPL")** - the Transferor Company was incorporated on November 30th, 2007 under the companies act, 1956 with the registrar of companies, Delhi and Haryana. The Shares of the company are not listed on any stock exchange. The company will be amalgamated with SSL as a going concern.
- 1.2 Goverdhan Metals Pvt. Ltd. ("GMPL")** - the Transferor Company was incorporated on February 22nd, 2008 under the companies act, 1956 with the registrar of companies, Delhi and Haryana. The Shares of the company are not listed on any stock exchange. The company will be amalgamated with SSL as a going concern.



- 1.3 **Hari Om Narayan Steels Pvt. Ltd. ("HONSL")** - the Transferor Company was incorporated on December 3rd, 2007 under the companies act, 1956 with the registrar of companies, Delhi and Haryana. The Shares of the company are not listed on any stock exchange. The company will be amalgamated with SSL as a going concern.
 - 1.4 **Nand Gaon Alloys Pvt. Ltd. ("NGAPL")** - the Transferor Company was incorporated on December 14th, 2007 under the companies act, 1956 with the registrar of companies, Delhi and Haryana. The Shares of the company are not listed on any stock exchange. The company will be amalgamated with SSL as a going concern.
 - 1.5 **Mukutwala Ferro Alloys Pvt. Ltd. ("MFAPL")** - the Transferor Company was incorporated on February 22nd, 2008 under the companies act, 1956 with the registrar of companies, Delhi and Haryana. The Shares of the company are not listed on any stock exchange. The company will be amalgamated with SSL as a going concern.
 - 1.6 **Barsana Alloys Pvt. Ltd. ("BAPL")** - the Transferor Company was incorporated on February 27th, 2008 under the companies act, 1956 with the registrar of companies, Delhi and Haryana. The Shares of the company are not listed on any stock exchange. The company will be amalgamated with SSL as a going concern.
 - 1.7 **Asth Sakhi Alloys Pvt. Ltd. ("ASAPL")** - the Transferor Company was incorporated on December 5th, 2007 under the companies act, 1956 with the registrar of companies, Delhi and Haryana. The Shares of the company are not listed on any stock exchange. The company will be amalgamated with SSL as a going concern.
 - 1.8 **SRU Steels Limited ("SSL")** - the Transferee Company was incorporated on September 11th, 1995 under the companies act, 1956 with the registrar of companies, Ludhiana, Punjab. The Shares of the company are listed on Delhi Stock Exchange. However, these shares are not traded regularly. The last trading of the shares was done on August 4th, 2012 at Rs. 1.55 pr share. No Trading has taken place since then.
- 2. PROPOSED MERGER**

Hari Om Narayan Alloys Pvt. Ltd. ("HONAPL") & Goverdhan Metals Pvt. Ltd. ("GMPL") & Hari Om Narayan Steels Pvt. Ltd. ("HONSL") & Nand Gaon Alloys Pvt. Ltd. ("NGAPL") & Mukutwala Ferro Alloys Pvt. Ltd. ("MFAPL") & Barsana Alloys Pvt. Ltd. ("BAPL") & Asth Sakhi Alloys Pvt. Ltd. ("ASAPL") are planning to amalgamate with SRU Steels Limited ("SSL") through scheme of amalgamation under section 391 to 394 of the Companies Act, 1956. The Equity Shares Exchange ratio of SSL with HONAPL, GMPL, HONSL, NGAPL, MFAPL, BAPL and ASAPL will be as follows which is calculated by Valuer.



- Share Exchange Ratio between SSL and HONAPL is 1:7 (i.e. 7 Equity Shares of Rs. 10/- each of SSL for every 1 Equity Share of Rs. 10/- each of HONAPL)
- Share Exchange Ratio between SSL and GMPL is 1:7 (i.e. 7 Equity Shares of Rs. 10/- each of SSL for every 1 Equity Share of Rs. 10/- each of GMPL)
- Share Exchange Ratio between SSL and HONSL is 1:7 (i.e. 7 Equity Shares of Rs. 10/- each of SSL for every 1 Equity Share of Rs. 10/- each of HONSL)
- Share Exchange Ratio between SSL and NGAPL is 1:7 (i.e. 7 Equity Shares of Rs. 10/- each of SSL for every 1 Equity Share of Rs. 10/- each of NGAPL)
- Share Exchange Ratio between SSL and MFAPL is 1:7 (i.e. 7 Equity Shares of Rs. 10/- each of SSL for every 1 Equity Share of Rs. 10/- each of MFAPL)
- Share Exchange Ratio between SSL and BAPL is 1:7 (i.e. 7 Equity Shares of Rs. 10/- each of SSL for every 1 Equity Share of Rs. 10/- each of BAPL)
- Share Exchange Ratio between SSL and ASAPL is 1:7 (i.e. 7 Equity Shares of Rs. 10/- each of SSL for every 1 Equity Share of Rs. 10/- each of ASAPL)

3. PURPOSE OF VALUATION

Pursuant to the scheme for Amalgamation of SSL with HONAPL, GMPL, HONSL, NGAPL, MFAPL, BAPL and ASAPL, the shareholders of HONAPL, GMPL, HONSL, NGAPL, MFAPL, BAPL and ASAPL are to be allotted shares of SSL and vice versa, as per the proposed Scheme of Amalgamation. For this purpose, a proper valuation of the Shares of all the above mentioned entities needs to be carried out in compliance with relevant guidelines of Merger and Amalgamation as prescribed under the Companies Act, 1956 and stock exchange listing requirements.

4. VALUATION APPROACH BY VALUER

For the purpose of ascertaining the reasonableness of this valuation, various quantitative factors have been considered by the Valuer based upon the financial details of the respective companies. The Valuer has determined the respective Equity Valuation of the above companies for determining the exchange ratio by using Net Asset Value Method.

The valuer has further taken into account copies of annual accounts and other financial statements of the companies under arrangement besides the discussions with the management of above mentioned companies regarding past and present operations of these companies in order to arrive at proper valuation of the respective business (es),

5. Our Opinion with Regard to the Overall Valuation Methodology

Since on the basis of our understanding and on the basis of independent valuation done by B.M. Sharma & Associates, we hereby opine that the Share Exchange Ratio as mentioned in **point no. 2 above** as determined by the valuer B.M. Sharma & Associates, Chartered Accountants is fair



and reasonable and may be adopted for share exchange with regard to the proposed amalgamation of the companies.

6. **Disclaimer Clause**

We hereby declare that we have no direct / indirect interest in the Companies/assets valued. Our work did not constitute an audit in accordance with the Generally Accepted Auditing Standards, an examination of internal controls or other attestation or review services.

Further, we would like to represent that the above valuation exercise used in the determination of above exchange ratio does not necessarily represent a pure scientific approach or a universally used valuation methodologies. Since the valuation is a very dynamic and subjective in nature, the values have been derived and frozen on the basis of related assumptions through an independent opinion on the basis of the material facts placed thereon. Further, our opinion with regard to the fairness on the valuation done by the valuer is done purely to ascertain "Fairness" from a general & independent point of view and has mainly concentrated towards ensuring that no material discrepancies are prevalent in the report.

We would also like to take this opportunity to thank the management of all the above mentioned companies for the cooperation and support provided to our team in carrying out this assignment.

This certificate is being issued on the request of the company for filing the same with regulatory authorities.

For **NEXGEN FINANCIAL SOLUTIONS PRIVATE LIMITED**



SUKHVINDER SINGH
Sr. Associate