



STRICTLY PRIVATE & CONFIDENTIAL

May 18, 2020

To,

The Board of Directors
Saurashtra Cement Limited
 N.K. Mehta International House
 Babubhai Chinai Road
 178 Backbay Reclamation
 Mumbai - 400 020

The Board of Directors
Parsec Enterprises Private Limited
 N.K. Mehta International House
 Babubhai Chinai Road
 178 Backbay Reclamation
 Mumbai - 400 020

Sub: Fairness Opinion on share exchange ratio in connection with the proposed amalgamation of Parsec Enterprises Private Limited with Saurashtra Cement Limited under a Scheme of Amalgamation.

Dear Sir(s),

We refer to our engagement letter dated May 8, 2020 and discussion wherein the management of Saurashtra Cement Limited (hereinafter referred to as “SCL” or “Company”) and Parsec Enterprises Private Limited (hereinafter referred to as “PEPL”) has requested Fortress Capital Management Services Private Limited (hereinafter referred to as “Fortress”), a SEBI Registered Category I Merchant Banker to give a fairness opinion on the Share Exchange Ratio recommended by SSPA & Co., Chartered Accountants (hereinafter referred to as “Valuer”) in connection with the amalgamation of PEPL with SCL under a Scheme of Amalgamation. PEPL and SCL are hereinafter collectively referred to as the “Companies”.

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Fortress Capital Management Services Pvt. Ltd. CIN : U67120MH2004PTC145815

Corporate office : 204, Lotus Park, 2nd Floor, Road No. 16, Wagle Estate, Thane (W) 400 604, India. Tel : +91 (22) 6288 7900

Registered office : Daryanagar House, 2nd Floor, 69 Maharsini Karve Road, Marine Lines, Mumbai 400 002, India. Tel : +91 (22) 2200 7973

1. BACKGROUND, SCOPE AND PURPOSE OF THIS REPORT

1.1 We have been given to understand that in order to inter alia simplify the shareholding structure of SCL and reduce shareholding tiers for the promoters of SCL, it is proposed that PEPL will amalgamate into SCL (hereinafter referred to as the “Amalgamation” or Proposed Transaction) in accordance with the provisions of sections 230 to 232 and other applicable provisions of the Companies Act, 2013. Subject to necessary approvals, PEPL would amalgamate with SCL, with effect from appointed date of April 1, 2020 (hereinafter referred to as the “Appointed Date”). As a consideration for the Proposed Transaction, shareholders of PEPL would be issued equity shares of SCL.

1.2 Saurashtra Cement Limited,

SCL is an ISO 9001 : 2015, ISO 14001 : 2015 and ISO 45001 : 2018 certified company which manufactures Portland Pozzolana Cement (PPC), Ordinary Portland Cement (OPC 53 grade) types of cement and clinker, that comply with world class quality standards. The Company markets cement under the brand name 'HATHI'.

The issued and paid up equity share capital of the Company as on March 31, 2020 is INR 69.52 crores comprising of 69,518,449 equity shares of INR 10 each fully paid up. The equity shares of SCL are listed on BSE Limited (‘BSE’).

1.3 Parsec Enterprises Private Limited

PEPL holds ~19.47% equity stake (comprising of 13,538,370 equity shares) in SCL as on March 31, 2020. Further, PEPL currently does not have any business operations.

The shareholding pattern of PEPL (Face value INR 10 each) as at March 31, 2020 is as under:

Name of the Shareholder	No. of shares	% of holding
Omna Enterprises LLP	2,99,999	77.72%
Mr. A. P. Rao, Nominee of Omna Enterprises LLP	1	0.00%
Samja Mauritius Limited, Mauritius	85,986	22.28%
Total	3,85,986	100.00%

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- 1.4 In this regard Valuer was appointed to recommend the share exchange ratio in connection with the proposed amalgamation of PEPL with SCL under a Scheme of Amalgamation.
- 1.5 Accordingly, we have been appointed in the capacity of SEBI Registered Category I Merchant Banker to give a fairness opinion on the share exchange ratio recommended by Valuer in connection with the proposed amalgamation of PEPL with SCL under the Scheme of Amalgamation to comply with SEBI Guidelines.
- 1.6 The information contained in our report herein is confidential. It is intended only for the sole use of captioned purpose including for obtaining the requisite statutory approvals.

2. SOURCES OF INFORMATION

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

- (a) Draft Scheme of Amalgamation between SCL and PEPL under section 230 to 232 of the Companies Act, 2013.
- (b) Management Certified Financial Statements for PEPL for FY 2019 - 20
- (c) Report dated May 18, 2020 issued by Valuer.
- (d) Such other information and explanations as we required and which have been provided by the management of SCL, PEPL and Valuer.

3. EXCLUSIONS AND LIMITATIONS

- 3.1 Our conclusion is based on the information furnished to us being complete and accurate in all material respects.
- 3.2 We have been represented by the Management of the Companies that the Companies have clear and valid title of assets. No investigation on SCL / PEPL claim to title of assets has been made and their claim to such rights has been assumed to be valid.

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- 3.3 Our work does not constitute verification of historical financials or 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.
- 3.4 Our opinion is not intended to and does not constitute a recommendation to any shareholders as to how such shareholder should vote or act in connection with the Scheme or any matter related therein.
- 3.5 The fee for the engagement and this report is not contingent upon the results reported.
- 3.6 Our liability (statutory or otherwise) for any economic loss or damage arising out of the rendering this Opinion shall be limited to amount of fees received for rendering this Opinion as per our engagement.
- 3.7 Our opinion is not, nor should it be construed as our opining or certifying the compliance of the proposed amalgamation with the provisions of any law including companies, taxation and capital market related laws or as regards any legal implications or issues arising thereon.
- 3.8 Any person / party intending to provide finance / divest / invest in the shares / convertible instruments / business of the Companies 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.
- 3.9 This Fairness Opinion (“Opinion”) is issued on the understanding that the Management has drawn our attention to all the matters, which they are aware of concerning the financial position of the Companies and any other matter, which may have an impact on the Opinion including any significant changes that have taken place or are likely to take place in the financial position of the Companies. Events and transactions occurring after the date of this Opinion may affect the opinion and assumptions used in preparing it and we do not assume any obligation to update, revise or reaffirm this Fairness Opinion.
- 3.10 We do not express any opinion as to the price at which shares of the Company may trade at any time, including subsequent to the date of this opinion.
- 3.11 This Fairness Opinion has been issued for the sole purpose to facilitate the Companies to comply with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015



and SEBI Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017 it shall not be valid for any other purpose and should not be copied or reproduced without obtaining our prior written approval for any purpose other than the purpose for which it is prepared. In no event, regardless of whether consent has been provided, shall we assume any responsibility to any third party to whom the report is disclosed or otherwise made available..

3.12 Fortress nor its directors, managers, employees make any representation or warranty, express or implied, as to the accuracy, reasonableness or completeness of the information, based on which the fairness opinion is provided. All such parties expressly disclaim any and all liability for/or based on or relating to any such information contained in the fairness opinion.

4. BASIS FOR SHARE EXCHANGE RATIO

4.1 As on date PEPL holds 13,538,370 equity shares of Rs. 10 each fully paid up of SCL. As per the Scheme of Amalgamation upon Amalgamation of PEPL into SCL, the entire shareholding of PEPL in SCL will be cancelled and the shareholders of PEPL would be issued same number of shares of SCL which they own on the effective date of the proposed amalgamation indirectly through their holding in PEPL. Pursuant to the Amalgamation, there would be no change in the paid-up capital of SCL. As mentioned above, post-amalgamation the shareholders of PEPL will hold the same number of shares as PEPL holds in SCL.

4.2 Upon the Scheme becoming effective, there is no additional consideration being discharged under the Scheme except same number of shares of SCL being issued to the shareholders of PEPL in lieu of shares held by PEPL in SCL (which will get cancelled). Thus, for every fresh issue of share of SCL to the shareholders of PEPL, there is a corresponding cancellation of an existing SCL share as held by PEPL. Also, there would be no change in the aggregate promoters' shareholding in SCL and it shall not affect the interest of other shareholders of SCL.

4.3 The management / shareholders of PEPL have given an undertaking that the costs, fees, charges, taxes including duties, levies and all other expenses (including stamp duties payable on issue of new shares) in relation to the proposed amalgamation shall be borne



by PEPL. Further in the event PEPL is unable to bear any such expenses due to lack of sufficient funds (including cash / bank balance and liquid investment) in PEPL, the shareholders of PEPL will bear such expenses. Thus, SCL will not bear any expenses pursuant to the amalgamation.

- 4.4 Further, we understand that the shareholders of PEPL shall indemnify and hold harmless SCL and its directors, officers, representatives, partners, employees and agents for losses, liabilities, costs, charges, expenses (whether or not resulting from third party claims), including those paid or suffered pursuant to any actions, proceedings, claims and including interests and penalties discharged by SCL which may devolve on SCL on account of proposed amalgamation of PEPL with SCL but would not have been payable by SCL otherwise, in the form and manner as may be agreed amongst SCL and the shareholders of PEPL. Thus, SCL will not bear any loss, liabilities, cost, charges and expenses due to any such disputes or litigations pursuant to the amalgamation.

5. CONCLUSION

- 5.1 Based on the above the Valuer has recommended the following share exchange ratio:

“13,538,370 equity shares of the face value of INR 10 each fully paid-up of SCL shall be issued and allotted as fully paid up to the equity shareholders of PEPL in the proportion of their holding in PEPL”

On the basis of the foregoing and based on the information and explanation provided to us, in our opinion, considering that all the shareholders of PEPL are and will, upon Amalgamation, remain ultimate beneficial owners in SCL in the same ratio (inter-se) as they hold shares prior to the Amalgamation and that the interest of other shareholders in SCL remains unaffected, share exchange ratio recommended by Valuer is fair and reasonable.

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Thanking you,

Yours faithfully,

For Fortress Capital Management Services Pvt. Ltd.

Hilton. M. Joshi



Authorized Signatory

Place: Mumbai

SEBI Registration No.: INM000011146

Certified to be true copy
For Saurashtra Cement Limited

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Sonali Sanas
Sr. Vice President (Legal) & Company Secretary

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