

**Fairness Opinion on share exchange ratio  
for the proposed Scheme of Amalgamation of**

***Aroni Commercials Limited***

***with***

***Saraswati Commercial (India) Limited***



**KJMC Corporate Advisors (India) Limited**

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The Board of Directors,  
**Saraswati Commercial (India) Limited**  
209/210 Arcadia Building,  
2<sup>nd</sup> Floor, Plot No. 195,  
Mumbai - 400 021

Date: March 15, 2016

Dear Sirs,

**Sub: Fairness Opinion on the share exchange ratio for the proposed Scheme of Amalgamation of Aroni Commercials Limited with Saraswati Commercial (India) Limited**

## 1. SCOPE & PURPOSE OF THIS REPORT

The management of Saraswati Commercial (India) Limited has appointed KJMC Corporate Advisors (India) Limited ("KJMC"), Category I Merchant Banker registered with SEBI having its Permanent Registration No. INM000002509, vide Engagement Letter dated January 22, 2016 to issue a 'Fairness Opinion' on the share exchange ratio recommended in valuation report dated February 27, 2016 issued by M/s Raghu Iyer Associates, Chartered Accountants ("Independent Valuer") on the Scheme of Amalgamation of Aroni Commercials Limited with Saraswati Commercial (India) Limited.

The Draft Scheme of Amalgamation ("Scheme" or "Scheme of Amalgamation") provides for the merger of Aroni Commercials Limited ("Transferor Company" / "Aroni") with Saraswati Commercial (India) Limited ("Transferee Company" / "Saraswati") pursuant to Sections 391 to 394 of the Companies Act, 1956 and other applicable provisions of the Companies Act, 1956 and pursuant to the applicable provisions under the Companies Act, 2013.

The Fairness Opinion has been issued to facilitate the Transferee Company to comply with SEBI Circular No. CIR/CFD/CMD/16/2015 dated November 30, 2015 valid for the purpose of merger.

## 2. BRIEF BACKGROUND OF THE COMPANIES UNDER REFERENCE

### a. Transferee Company

Saraswati was incorporated on January 24, 1983 as Saraswati Commercial (India) Limited with its registered office presently at 209/210, Arcadia Building, 2nd Floor, 195, Nariman Point, Mumbai, Maharashtra, 400021. The shares of Saraswati are presently listed on BSE. The Company is RBI registered Non-Banking Financial Company (Non-Deposit taking) engaged in the business of investment and trading in shares and securities and lending activities. The Company Identification Number for Saraswati is L51909MH1983PLC166605.



The shareholding Pattern of Saraswati as on March 31, 2015 is as under:

Category of Shareholder	Shareholding of Equity Shares (%)
Promoters	75.00
Public	25.00

**b. Transferor Company**

Aroni Commercials Limited, a public limited company was incorporated on January 11, 1985 with its registered office at 209/210, Arcadia Building, 2nd Floor, 195, Nariman Point, Mumbai, Maharashtra, 400021. The shares of the Company are listed on BSE and the Calcutta Stock Exchange (CSE). The company has applied to CSE for voluntary delisting vide their application dated February 26, 2016. The Company is a SEBI registered sub-broker with Shriyam Broking Intermediary Ltd (a BSE broker). It is also engaged in investment and trading activities. The Company Identification Number for Aroni is L74999MH1985PLC035047.

The shareholding pattern of Aroni as on March 31, 2015 is as under:

Category of Shareholder	Shareholding of Equity Shares (%)
Promoters	75.00
Public	25.00

**3. SCHEME OF AMALGAMATION**

The Scheme of Amalgamation pursuant to Sections 391 to 394 and other applicable provisions of the Companies Act, 1956 and relevant provisions of Companies Act, 2013 provides for the merger of Aroni with Saraswati. The Scheme includes following points among others:

- i. With effect from the Appointed Date, April 1, 2015 the whole of undertaking of Aroni will be merged with Saraswati.
- ii. The entire business of the Transferor Company, as a going concern and all assets and liabilities shall be transferred to and vested in the Transferee Company subject to all charges, liens, mortgages, if any, affecting the same or any part thereof.



- iii. Upon the Scheme becoming finally effective, in consideration of the transfer and vesting of the Undertaking of the Transferor Company in the Transferee Company in terms of the Scheme, the Transferee Company shall issue and allot Equity Shares of the Transferee Company to the Equity Shareholders of the Transferor Company in the recommended share exchange ratio. However, the equity shares of the Transferor Company held by the Transferee Company shall be cancelled and no allotment shall be made in respect of these shares.
- iv. Upon the Scheme becoming finally effective, the transferee company shall surrender the sub-broking license of the transferor company and shall discontinue the sub-broking business activity of the transferor company.
- v. Upon the Scheme becoming effective, the Transferor Company shall be dissolved without being wound up.

#### 4. RATIONALE FOR SCHEME OF AMALGAMATION

- i. The amalgamation will enable the Transferee Company to consolidate the businesses and lead to synergies in operations and create a stronger financial base.
- ii. The amalgamation would be advantageous as it combines the activities and operations of both companies into a single Company for synergistic linkages and the benefit of combined financial resources. This will be reflected in the profitability of the Transferee Company.
- iii. The Scheme of amalgamation would result in merger and thus consolidation of business of the Transferor Company and the Transferee Company in one entity, all the shareholders of the merged entity will be benefited by result of the amalgamation of business and availability of a common operating platform.
- iv. The Amalgamation of the Transferor Company with the Transferee Company will also provide an opportunity to leverage combined assets and build a stronger sustainable business. Specifically, the merger will enable optimal utilization of existing resources and provide an opportunity to fully leverage strong assets, capabilities, experience, expertise and infrastructure of both the companies. The merged entity will also have sufficient funds required for meeting its long term capital needs as provided for in the Scheme.
- v. The Scheme of amalgamation will result in cost saving for both the companies as they are capitalizing on each other's core competency and resources. This is expected to result in stability of operations, cost savings and higher profitability levels for the Transferee Company.



## 5. SOURCES OF INFORMATION

We have relied on the following Information in issuing this Fairness Opinion for the purpose of merger:

- i. Company Profile, Memorandum and Articles of Association of Saraswati & Aroni
- ii. Audited Standalone Financial Statements of Saraswati & Aroni for the last three years as at March 31, 2015, March 31, 2014 and March 31, 2013
- iii. Audited Financial Statements of group companies for the last three years as at March 31, 2015, March 31, 2014 and March 31, 2013
- iv. Market price of all traded securities held by Saraswati, Aroni & group companies as on March 31, 2015
- v. Draft Scheme of Amalgamation of Aroni with Saraswati
- vi. Copy of the resolution of the Board of Directors of Aroni & Saraswati approving the merger
- vii. Shareholding Pattern before the merger (i.e. as on March 31, 2015) and post the merger for Saraswati
- viii. Shareholding Pattern before the merger (i.e. as on March 31, 2015) for Aroni
- ix. Valuation report issued by M/s Raghu Iyer Associates, Chartered Accountants recommending the share exchange ratio for the Scheme of Amalgamation of Aroni with Saraswati
- x. Such other information, documents, data, reports, discussions and verbal & written explanations from the management of Saraswati as were considered relevant for the purpose of Fairness Opinion

## 6. LIMITATIONS

Our opinion is subject to the following Limitations / Exclusions:

- i. Our work purely constitutes assessing the fairness of share exchange ratio recommended in valuation report dated February 27, 2016 issued by the Independent Valuer. The assessment is carried out with the information provided to us by the Transferee Company on as is basis.
- ii. Valuation of equity shares of Transferor Company and Transferee Company has been arrived at, as on March 31, 2015 for this report.



- iii. The valuations worked out for Fairness Opinion are indicative and may differ substantially from actual transactions, if any.
- iv. This Report is based on the equity share capital of Transferor Company and Transferee Company as on 31<sup>st</sup> March, 2015. Any variation in the equity capital structure of the Transferor Company and Transferee Company prior to the Scheme becomes effective, may have an impact on this Report.
- v. This Fairness Opinion did not cover undertaking a field survey for the purpose of determining market potential for the products, services and brands of the Transferor Company and/or Transferee Company.

We have relied upon and assumed the accuracy and completeness of all such information that has been furnished to us by the Transferee Company.

## 7. FAIRNESS OPINION

Valuation, as it is said, is an art as well as a science. It is very subjective and based on individual perception. Large number of valuation models and its countless variants are in vogue, each of which has its own strength and weakness. Such practices leads to varying values arrived at by expert which at times may differ by larger margin.

The Independent Valuer, M/s Raghu Iyer Associates vide its report dated 27th February, 2016 has recommended a share exchange ratio of 1 (One) fully paid up equity share of face value Rs. 10/- each of Transferee Company for every 9 (Nine) fully paid up equity shares of face value Rs. 10/- each of Transferor Company.

Based on the above read with the caveats as detailed in this report and based on the information / data made available to us, we have reviewed the share exchange ratio certificate of the Independent Valuer, analysis of various assumptions underlying therein and methodologies used by the Independent Valuer to arrive at share exchange ratio. We as a Merchant Banker believe that the share exchange ratio suggested by the Independent Valuer under the proposed Scheme of Amalgamation is "Fair" in our opinion.

## 8. RELIANCE AND LEGAL DISCLAIMER

This Report is prepared by KJMC under a mandate from Transferee Company on the basis of information, documents, papers, and explanations given by the management, officers, and executives of Transferee Company to KJMC. In the preparation of this Opinion, KJMC has relied upon and assumed, without independent verification, the truthfulness, accuracy and completeness of the information and the data provided by Transferee Company. KJMC has therefore relied upon all specific information as received and declines any responsibility should the results presented be affected by the lack of



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completeness or truthfulness of such information. Publicly available information deemed relevant for the purpose of the analysis contained in the Fairness Opinion has also been used. Therefore the Fairness Opinion is based on our interpretation of the information provided by Transferee Company including its representatives and advisors, as supplied to us to date. KJMC has also considered draft Scheme as furnished. It is assumed that the Scheme will be approved by the regulatory authorities and that the proposed transaction will be consummated substantially in accordance with the terms set forth in the Scheme.

No investigation for claim to title of assets of the Transferor Company and Transferee Company has been made by us for the purpose of this Report and claim of the Transferor Company and Transferee Company to such rights has been assumed to be valid. We are not experts in the evaluation of litigation or other actual or threatened claims. We have assumed that there are no other contingent liabilities or circumstances that could materially affect the business or financial prospects of the business of the Transferor Company to be transferred to the Transferee Company other than those disclosed in the information provided. No responsibility whatsoever is assumed for matters of a legal nature. Our report is not and should not be construed as our opining or certifying the compliance of the proposed Scheme with the provisions of any law including companies, taxation and/or capital market related laws or as regards any legal implications or issues arising from such proposed merger.

Our opinion also does not address any matters otherwise than as expressly stated herein including but not limited to matters such as corporate governance matters, shareholder rights or any other equitable considerations. We have also not opined in the fairness of any terms and conditions of the Scheme other than the fairness, from financial point of view of the share exchange ratio.

KJMC has not provided any accounting, tax or legal advice to Transferee Company. Fairness Opinion should not be construed as investment advice or any form of recommendation either for making or divesting investment in any of the companies involved in the Scheme. We do not express any opinion on the suitability or otherwise of entering into the proposed transaction. KJMC shall not be liable for any losses whether financial or otherwise or expenses arising directly or indirectly out of the use of or reliance on the information set out herein in this Report.

We express no opinion whatsoever and make no recommendation at all to the companies underlying decision to effect the proposed Scheme or as to how the holders of the equity shares or secured or unsecured creditors of the Companies should vote at the respective meetings held in connection with the proposed Scheme. We do not express and should not be deemed to have expressed any views on any other term of the proposed Scheme. We also express no opinion and accordingly accept no responsibility or as to the prices at which the equity shares of Saraswati will trade following the announcement of the Scheme or as to the financial performance of Saraswati following the consummation of the proposed Scheme.

This Opinion is necessarily based on various factors and conditions and the written and oral information made available to us as of the date hereof. This opinion is issued on the understanding that the Management of Transferee Company under the Scheme has drawn our attention to all matters of



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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.

We have not independently investigated or otherwise verified the data provided. There may be matters, other than those noted in the draft Scheme, 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 Transferee Company or in any of its subsidiaries / associate companies and the fee payable for this Report are not contingent upon the opinion reported herein. We may currently or in the future, provide investment banking and / or other financial related services to the Transferee Company and/or its subsidiaries or their respective affiliates that are unrelated to the proposed Scheme, for which services we may receive customary fees. Our engagement and the Opinion expressed herein are for the benefit of the Board of Directors of the Transferee Company in connection with its consideration of the proposed Scheme and for none other. Neither KJMC nor its affiliates, partners, directors, shareholders, managers, employees or agents of any of them, makes any representation or warranty, express or implied as to the information and documents provided to us, based on which this Opinion has been issued. All such parties and entities expressly disclaim any and all liability for, or based on or relating to any such information contained therein.

This report has been issued for the sole purpose to facilitate the Company to comply with SEBI Circular No. CIR/CFD/CMD/16/2015 dated November 30, 2015 and not for any other purpose. This report is issued on the understanding that it is solely for the use of the persons to whom it is addressed i.e. Board of Directors of Transferee Company and for the purpose described above. We will not be liable or responsible to any person other than those to whom it is addressed. The information contained herein and this Opinion is absolutely confidential. The report must not be made available or copied in whole or in part to any other person without our express written permission.

For KJMC Corporate Advisors (India) Ltd.

  
Kaushal Patwa

AVP – Investment Banking

  
Parag Koshti  
Manager – Investment Banking