



REPORT
ON
RECOMMENDATION OF
SHARE ENTITLEMENT RATIO
FOR
PROPOSED DEMERGER OF
GOAT TANNERY DIVISION (UNIT 3)
OF
SUPER TANNERY LIMITED
INTO
AMIN TANNERY LIMITED

CERTIFIED TRUE COPY

For SUPER TANNERY LIMITED




R. K. AWASTHI
COMPANY SECRETARY

Report by-
Goenka & Agarwal
Chartered Accountants
3/194, Vishnupuri,
Kanpur-208002



Strictly Private & Confidential

September 14, 2015

The Board of Directors,
Super Tannery Limited
187/170, Jajmau Road
Kanpur -208010

Dear Sirs,

REPORT ON RECOMMENDATION OF SHARE ENTITLEMENT RATIO FOR ISSUE OF EQUITY SHARES OF RESULTING COMPANY(ATL) TO THE SHARE HOLDERS OF DEMERGED COMPANY(STL) IN CONSIDERATION OF DEMERGER OF GOAT TANNERY DIVISION (UNIT 3) OF DEMERGED COMPANY.

We refer to our engagement letter dated 14th July, 2015, wherein you have requested us to recommend a share entitlement ratio in connection with proposed demerger of **Goat Tannery Division, Unit 3** (hereinafter referred to as "**Unit 3**" or "**Demerged Undertaking**") of the Company **Super Tannery Limited** (hereinafter referred to as "**STL**" or "**Demerged Company**") into **Amin Tannery Limited** (hereinafter referred to as "**ATL**" or "**Resulting Company**").

1. CONTEXT AND PURPOSE OF REPORT

We understand that the Management of STL is contemplating demerger of its Unit 3 as a part of business restructuring exercise. As per draft scheme of demerger, the rationale for demerger is to achieve greater management focus on tapping the growth potential in the respective businesses of Demerged Company and Resulting Company. We have been informed that demerger will be in accordance with the provisions of section 2(19AA) of the Income Tax Act, 1961. Some of the specific reasons/ effects of demerger are:

- The demerger will result in increased financial strength and flexibility and enhance the ability of STL and ATL to undertake their respective projects, thereby contributing to enhancement of future business potential;
- This Scheme will enable the business comprised in the Demerged Undertaking and the Remaining Undertaking to be pursued and carried on more conveniently and advantageously with greater focus and attention through two separate companies, i.e. STL and ATL, each having their own management team and set up. The same will facilitate the business considerations and factors applicable to the said businesses to be addressed more effectively and adequately by the respective companies;
- The transfer and vesting of the Demerged Undertaking into ATL, by way of demerger, would facilitate focussed management attention, provide leadership vision, facilitate efficiency in operations due to individual specialisation, provide greater leveraging due to financial independence and facilitate strategic/ financial investment.



- It is believed that the proposed segregation will create/ unlock value for shareholders and allow a focused strategy in operations, which would be in the best interest of STL and ATL and their respective shareholders and all persons connected with them.

The appointed date fixed for the proposed demerger is April 1, 2015 ("Appointed Date").

As per the draft Scheme of demerger, ATL needs to issue its shares to the shareholders of STL, the demerged Company in consideration for the demerger and vesting of the demerged undertaking (Unit-3) in ATL.

2. SCOPE OF WORK

In the context of the proposed demerger of demerged undertaking of STL into ATL, you have approached us to assist in arriving at the Share Entitlement Ratio for the purpose of issue of equity shares in ATL to the shareholders of STL in consideration of transfer of demerged undertaking to the ATL with effect from April 1, 2015.

Based on above, Share Entitlement Ratio is defined as number of equity shares of ATL to which a shareholder of STL would be entitled to in proportion to his/hers/its existing shareholding in STL.

3. SOURCES OF INFORMATION

We have called for and have been supplied with various information, explanations, data, documents, accounts and statements from time to time for the purpose of arriving at a fair share entitlement ratio. The information supplied to and relied upon by us have been broadly enlisted hereunder:

- Audited Financial Statements of STL for the Financial Year ended 31st March, 2013 to 31st March, 2015.
- Financial Statements of Unit-3 i.e. demerged undertaking for the Financial Year ended 31st March, 2013 to 31st March, 2015.
- Financial Statements of Demerged Company (i.e. excluding Unit-3) for the Financial Year ended 31st March, 2013 to 31st March, 2015.
- Draft Scheme of Demerger
- Interviews and discussions with the Management of the Company to augment our knowledge of the operations of the Companies and
- Information and documents as provided by the Company for the purposes of this engagement.

For the purpose of arriving at the Share Entitlement Ratio, we have essentially relied on the information provided to us by the Management of STL which we believe to be reliable and our conclusions are dependent on such information being complete and accurate in all material respects.

4. PROCEDURES

The procedures used in our analysis included such substantive steps as we considered necessary under the circumstances including, but not limited to, the following:

- Analysis of Historical Financial Statements of Demerged Company, Demerged Undertaking and Company as a whole;
- Analysis and Understanding of Draft Scheme of Demerger;
- Discussions / meeting with the Management of the Company for understanding of the business, historical operations and future potential, to obtain requisite explanation and clarifications on data provided;
- Analysis of Information and inquiries from the executives and representatives of the Company as we considered necessary.

The Company has been provided with the opportunity to review the draft Report (excluding the recommended Share Entitlement Ratio) for this engagement to make sure that factual inaccuracies are avoided in our Final Report.

5. BACKGROUND INFORMATION

Super Tannery Limited ("*STL*" or the "*Demerged Company*"), a company listed on the Bombay Stock Exchange ("*BSE Limited*"), was incorporated under the provisions of Part IX of the Companies Act, 1956 in the name and style of '*Super Tannery (India) Limited*' vide certificate of incorporation dated February 6, 1984 issued by the Registrar of Companies, Uttar Pradesh, Kanpur. The name of the company has been changed from '*Super Tannery (India) Limited*' to its present name i.e. '*Super Tannery Limited*' vide fresh certificate of incorporation dated December 24, 2003 issued by the Registrar of Companies, Uttar Pradesh & Uttaranchal, Kanpur, consequent upon the said change of name.

STL is inter-alia engaged in the business to sell, purchase, manufacture, refine, export, import of all classes of leather, hides, skins and all chemicals and other materials required for converting hides and skins into leather and the business of tanners, curriers, hide and skin merchants.

The paid up capital of STL as on 31st March, 2015 was Rs. 10,79,73,360 divided into 10,79,73,360 Equity Shares of Rs. 1/- each fully paid up. Shareholding Pattern of STL on that date was as under:

Promoters	58.78%
Public	41.22%

Amin Tannery Limited ("ATL" or the "Resulting Company"), an unlisted public company, was incorporated under the Companies Act, 1956 vide Certificate of Incorporation dated March 25, 2013 issued by the Registrar of Companies, Uttar Pradesh. Further, ATL was issued a Certificate for Commencement of Business dated December 27, 2013 by the Registrar of Companies, Uttar Pradesh.

ATL was incorporated with the object of carrying the business to sell, purchase, manufacture, refine, export, import and deal as agents in all classes of leather, hides, skins and all chemicals and other materials required for converting hides and skins into leather and the business of tanners, curriers, hide and skin merchants. Presently, ATL is not engaged in any business activity and this is the SPV for the proposed demerger of Unit-3 of STL.

The paid up capital of ATL as on 31st March, 2015 was Rs. 5,00,000 divided into 50,000 shares of Rs. 10 each fully paid up. Shares of ATL were closely held by the promoters. As per Draft scheme of Demerger, the share capital of ATL will be split into Rs. 1 per share and upon scheme coming into effect i.e. from effective date, existing shares of ATL (presently 50,000 shares which will be 5,00,000 shares upon split into Rs. 1/-) shall stand cancelled without any further act or deed and the paid-up share capital of ATL shall stand reduced proportionately to such extent. Meaning thereby that post demerger, the shareholders of STL shall hold shares in ATL in the same proportion as in STL and hence proposed demerger of Goat Tannery Division of STL into ATL will be value neutral to STL and its shareholders.

6. SHARE ENTITLEMENT RATIO

Based on our review, information made available to us, work performed and discussions with the Management of STL and on a consideration of all the relevant factors and circumstances, in our opinion, the "Share Entitlement Ratio" of 1:1 i.e. 1 (One) equity share (Rupees 1/- fully paid up) of ATL for every 1 (One) existing equity shares of STL (Rupees 1/- fully paid up) to the shareholders of STL in consideration for the demerger of Goat Tannery Division (Unit-3) would be reasonable.

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

7. LIMITATIONS AND EXCLUSIONS

For the purpose of arriving at the Share Entitlement Ratio, we have essentially relied on the information provided to us by the Management and which we believe to be reliable, complete and accurate in all material respects and our conclusions are dependent on such information. We, therefore, assume no responsibility and make no representation with respect to the accuracy or completeness of any information provided by the Management.

Our engagement does not include an audit of existing business records. We are not required to and have not carried out a due diligence or audit of the Company for the purpose of this engagement, nor have we independently investigated or otherwise verified the data provided. We are not legal or regulatory advisors with respect to legal and regulatory matters for the proposed demerger. Also, with respect to explanations and information sought from the Company, we have been given to understand by the Management that they have not omitted any relevant and material factors and that they have checked the relevance or materiality of any specific information to the present exercise with us in case of any doubt. Accordingly, we do not express any opinion or offer any form of assurance regarding its accuracy and completeness. Our conclusions are based on these assumptions and information given by/on behalf of the Company. The Management of the Company has indicated to us that they have understood that any omissions, inaccuracies or misstatements may materially affect our recommendation /results. Accordingly, we assume no responsibility for any errors in the information furnished by the Company and their impact on this Report. However nothing has come to our attention to indicate that the information provided was materially mis-stated/ incorrect or would not afford reasonable grounds upon which to base our recommendation. We do not imply and it should not be construed that we have verified any of the information provided to us, or that our inquiries could have verified any matter, which a more extensive examination might disclose.

This Report assumes that the Company complies fully with relevant laws and regulations, applicable in all its areas of operations unless otherwise stated, and that the Companies upon demerger will be managed in a competent and responsible manner. Further, this Report has given no consideration to matters of a legal nature, including issues of legal title and compliance with local laws, and litigation and other contingent liabilities that are not recorded in audited balance sheet of the Company. We have not carried out any investigation as to Company's claim of legal title or restrictions on its Property and shareholdings and such claim has been assumed to be valid. We assume that the assets and liabilities of the Companies, reflected in their respective latest balance sheets remain intact as on the Date of this report.

This Report, its contents and the results herein are specific to (i) the purpose as per the terms of our engagement; and (ii) are based on the balance sheet of the Company as at 31st March, 2015. The Management has represented that the business activities of Goat Tannery Division (Unit-3) as well as remaining units of the company have been carried out in the normal and ordinary course between 31st March 2015 and the Date of this report and that no material adverse change has occurred in their respective operations and financial position between 31st March 2015 and the Date of this report.

Legislation, its judicial interpretation and the policies of the tax and/or other regulatory authorities are also subject to change from time to time, and these may have a bearing on the advice that we have given. Accordingly, any change or amendment in the law or relevant regulations would necessitate a review of our comments and recommendations contained in this report. Unless specifically requested, we have no responsibility to carry out any review of our comments for changes in laws or regulations occurring after the date of this report.

The recommendation(s) rendered in this Report only represent our recommendation(s) based upon information received till the date of furnishing this report by the Company and other sources and the said recommendation(s) shall be considered to be in the nature of non-binding advice, (our recommendation will however not be used for advising anybody to take buy or sell decision, for which specific opinion needs to be taken from expert advisors).

Our scope of work involves recommendation of Share Entitlement Ratio; however the decision to proceed with the demerger as well as the acceptance of the final ratio depends on the Management of the Company.

Our report is not, nor should be construed as, our opinion or certifying the compliance of the proposed demerger with the provision of any law including companies, taxation and capital market related laws or as regards any legal, accounting or taxation implications or issues arising from such proposed demerger.

Our opinion should not be construed as investment advice, specifically, we do not express any opinion on the suitability or otherwise of the proposed demerger.

Our report does not address the relative merits of the demerger as compared with any other alternative business transaction, or other alternatives, or whether or not such alternatives could be achieved or are available. Any decision by the management regarding whether to proceed with demerger solely rests with the management.

We express no opinion or recommendation as to how the shareholders of any of the companies should vote at any shareholders meeting(s) to be held in connection with the demerger.

In no event shall we be liable for any loss, damage, cost or expense arising in any way from fraudulent acts, misrepresentations or wilful default on the part of the Companies under consideration, their Directors, employees or agents.

We do not accept any liability to any third party in relation to our recommendation of Share Entitlement Ratio. Our Report is not a substitute for the third party's own due diligence/ appraisal/ enquiries/ independent advice that the third party should undertake for his purpose. It is understood that our recommendation does not represent a fairness opinion.

8. **DISTRIBUTION OF REPORTS**

The report has been prepared exclusively for the management of Super Tannery Limited for the purpose of determining the share entitlement ratio for the proposed scheme of the demerger of Unit – 3 of STL. We understand that this report may be shared with the advisors supporting the proposed Demerger as well as statutory authorities.

This report may also be produced before the shareholders, Registrar of Company, Honourable High Court and any other government authorities in connection with the proposed purpose outlined above. This report should not be used, referred to or distributed for any purpose other than those mentioned earlier without our specific written permission. While due care has been exercised in carrying out the engagement, we shall not accept any responsibility or liability to the third parties to whom our Report may have been shown or into whose hands it may come. Such parties are advised to carry out their own independent assessment or to obtain professional advice before taking relevant decisions:

This report is not to be referred to or quoted, in whole or in part, in offering memorandum, prospectus, registration statement, public filing, loan or other agreement or document without our express written approval, which may require that we perform additional work.

We would like to record our appreciation for the courtesy and co-operation received by us during the course of our work and look forward to continuing our professional association.

Thanking You,
Yours Faithfully
For **Goenka & Agarwal**
Chartered Accountants
Registration No. 004449C

(Sunil Gupta)
Partner
Membership No. 074293

Place : Kanpur