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June 7, 2017

The Board of Directors,
Ganges Securities Limited,
P.O. Hargaon,
Sitapur,
Uttar Pradesh
261121

The Board of Directors,
Magadh Sugar & Energy Limited,
P.O. Hargaon,
Sitapur,
Uttar Pradesh
261121

The Board of Directors,
Avadh Sugar & Energy Limited,
P.O. Hargaon,
Sitapur,
Uttar Pradesh
261121

Dear Sirs,

Sub: Basis of calculation of cost of acquisition of shares of Upper Ganges Sugar & Industries Limited, in the hands of the shareholders

The Composite Scheme of Arrangement entered into between The Oudh Sugar Mills Limited ('Oudh Sugar'), Upper Ganges Sugar & Industries Limited ('Upper Ganges'), Palash Securities Limited ('Palash Securities'), Allahabad Canning Limited ('Allahabad Canning'), Ganges Securities Limited ('Ganges Securities'), Cinnatolliah Tea Limited ('Cinnatolliah Tea'), Vaishali Sugar & Energy Limited ('Vaishali Sugar'), Magadh Sugar & Energy Limited ('Magadh Sugar'), Avadh Sugar & Energy Limited ('Avadh Sugar') and their respective shareholders and creditors (**'the Scheme'**) propounded under Sections 391 to 394 of the Companies Act, 1956 has been approved by National Company Law Tribunal, Allahabad bench vide order dated March 2, 2017.

The Scheme entails issue of equity and preference shares as consideration for various parts of the transaction as listed hereunder:

- Step 1** Demerger of Food Processing & Investments Undertaking from Oudh Sugar to Palash Securities
- Step 2** Transfer of Food Processing Undertaking from Palash Securities to Allahabad Canning
- Step 3** Demerger of Tea & Investments Undertaking from Upper Ganges to Ganges Securities
- Step 4** Transfer of Tea Undertaking from Ganges Securities to Cinnatolliah Tea
- Step 5** Transfer of Bihar Sugar Undertaking of Oudh Sugar to Vaishali Sugar
- Step 6** Demerger of Bihar Sugar Undertaking of Upper Ganges to Magadh Sugar
- Step 7** Merger of Vaishali Sugar with Magadh Sugar
- Step 8** Merger of Residual Oudh Sugar & Upper Ganges with Avadh Sugar



~~Below are the details of equity shares issued to the shareholders of Upper Ganges as consideration for various transactions in the Scheme:~~

Step 3 77 Equity Shares of the face value of Rs. 10/- (Rupees Ten) each credited as fully paid up in the share capital of Ganges Securities for every 89 fully paid up equity share(s) of the face value of Rs. 10/- (Rupees Ten) each held in Upper Ganges

Step 6 88 Equity Shares of the face value of Rs. 10/- (Rupees Ten) each credited as fully paid up in the share capital of Magadh Sugar for every 113 fully paid up equity share(s) of the face value of Rs. 10/- (Rupees Ten) each held in Upper Ganges

Step 8 11 equity share(s) of the face value of Rs. 10/- (Rupees Ten) each credited as fully paid up in the share capital of Avadh Sugar for every 30 fully paid up equity share(s) of the face value of Rs. 10/- (Rupees Ten) each held in Upper Ganges

Cost of acquisition of shares in the resulting company upon demerger is required to be worked out for the purposes of Income Tax Act, 1961, in accordance with the provisions of subsection (2C) of section 49 of the Act.

Subsection (2C) of section 49 of the Income Tax Act, 1961 provides as under:

"49(2C) The cost of acquisition of the shares in the resulting company shall be the amount which bears to the cost of acquisition of shares held by the assessee in the demerged company the same proportion as the net book value of the assets transferred in a demerger bears to the net worth of the demerged company immediately before such demerger."

Subsection (2D) of section 49 of the said act provides as under:

"49(2D) The cost of acquisition of the original shares held by the shareholder in the demerged company shall be deemed to have been reduced by the amount as so arrived at under sub-section (2C)."

Explanation to section 49 of the said act reads as under:

"Explanation.—For the purposes of this section, "net worth" shall mean the aggregate of the paid up share capital and general reserves as appearing in the books of account of the demerged company immediately before the demerger."

On the basis of the audited financials of Upper Ganges Sugar & Industries Limited as on March 31, 2015 and audited financials of Ganges Securities Limited, Magadh Sugar & Energy Limited and Avadh Sugar & Energy Limited as on the Appointed Date of the Scheme (April 1, 2015), as provided by the management, we report that:

- a. the cost of acquisition of the equity shares in Ganges Securities received by the shareholders of Upper Ganges, under the above referred Composite Scheme of Arrangement, for the purposes of subsection (2C) of section 49 of the Income Tax Act, 1961 shall be calculated by applying the



proportion of 100.00%, (being, the proportion as the net book value of the assets transferred as per Annexure - I, bears to the net worth of Upper Ganges, immediately before the demerger as contemplated in Step 3 mentioned above, as per Annexure - II) to the cost of acquisition of the shares held by the concerned shareholders in Upper Ganges.

- b. the cost of acquisition of the equity shares in Magadh Sugar and Avadh Sugar received by the shareholders of Upper Ganges pursuant to Step 6 and Step 8 mentioned above, shall be NIL (being the amount reduced by the amount so arrived in (a) above, in terms of subsection (2D) of section 49 of the Income Tax Act, 1961.

Annexures - I and II referred to hereinabove, form an integral part of this report.

Our views are based on the existing provisions of law and its interpretation, which are subject to change from time to time. No assurance is given that the revenue authorities / courts will concur with the views expressed herein. Further we do not assume responsibility to update the views consequent to such changes. We will not be liable to any other person in respect of this statement. Shareholders are advised to consult their own consultants to understand the specific tax implications.

Thanking You,

Yours Faithfully,

For KPMG,

Anol Khanna
Partner



Enclosures – as stated

Place: Gurgaon

Date: June 7, 2017



Annexure I – Computation of Net Book Value of Assets transferred in Demerger

Demerged Company – Upper Ganges Sugar & Industries Limited

Resulting Company – Ganges Securities Limited

Appointed Date of Demerger – April 1, 2015

Particulars	Amount (INR Crores) <i>(rounded off to two decimal places)</i>
Non-current Assets	53.28
Fixed Assets – Tangible	0.74
Non-current Investments	47.31
Deferred Tax Assets (net)	4.94
Loans and Advances	0.29
Current Assets	0.05
Cash and bank balances	0.05
Total (A)	53.33
Non-Current Liabilities	NIL
Current Liabilities	0.29
Short Term Borrowings	
Trade payables - Total outstanding dues of creditors other than micro enterprises and small enterprises	0.29
Other current liabilities	0.00
Total (B)	0.30
Net Book Value of Assets transferred in Demerger (A) – (B)	53.04



Annexure II – Computation of Net Worth of Demerged Company, as per books, immediately before Demerger

Demerged Company – Upper Ganges Sugar & Industries Limited

Resulting Company – Ganges Securities Limited

Appointed Date of Demerger – April 1, 2015

Reference date for Computation of Net Worth – March 31, 2015

Particulars	Amount (INR Crores) <i>(rounded off to two decimal places)</i>
Paid up Capital (A)	41.56
General Reserves (B)	1.72
Net Worth (A+B)	43.27

