



**STRICTLY PRIVATE & CONFIDENTIAL**

SEBI REGN: INM 000 10163

March 05, 2018

The Board of Directors

**Rajasthan Gases Limited**

103, Roha Orion,

16<sup>th</sup> Street, Near 33<sup>rd</sup>

Road, TPS III, Bandra W,

Mumbai-400050, Maharashtra.

**Sub: Fairness opinion on the proposed Scheme of Reduction of Capital of Rajasthan Gases Limited**

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**Dear Member and Board:**

We refer to the engagement letter dated February 27, 2018 ("Engagement Letter") whereby Rajasthan Gases Limited ("Company") has appointed Fedex Securities Limited ("Fedex"), a Securities and Exchange board of India ("SEBI") registered merchant banker having SEBI registration number INM 000 10163, to provide a fairness opinion to the Company on the proposed Scheme of Reduction of capital of Rajasthan Gases Limited under relevant provisions of Companies Act, 2013 and National Company Law Tribunal (Procedure For Reduction Of Share Capital Of Company) Rules, 2016.





## **1 BACKGROUND OF THE COMPANY**

- 1.1 The Company was incorporated as a private limited company under the name and style of Rajasthan Gases Private Limited on 27.08.1993 with the Registrar of Companies, Jaipur. Subsequently, the Company was converted into a public company in compliance with the provisions of the Companies Act, 1956 and special resolution passed by the shareholders in the extra-ordinary general meeting held on 10.10.1994, and the name of the Company was changed from "Rajasthan Gases Private Limited" to "Rajasthan Gases Limited" and a fresh certificate of incorporation consequent upon change of name was issued by the Registrar of Companies, Jaipur on 27.10.1994. The Company is a public limited company listed with the Bombay Stock Exchange ("BSE") and Calcutta Stock Exchange ("CSE").
- 1.2 The Company is in the business of manufacturing, producing, acquiring, buying, selling, leasing, treating, processing, developing, retreating, refining, storing distributing, piping and/or transporting and otherwise dealing in all kinds and classes of gases like LPG, Oxygen, Hydrogen, Carbon die-oxide, nitrogen, Argon, Carbonic acid, acetylene, industrial and medical gases and lubricating compositions, petroleum products, compositions, chemicals, chemicals, chemical products and to do all things necessary suitable or propose for the accomplishment of any of the said purposes.
- 1.3 The present Authorized Share Capital of the Company is Rs. 6,00,00,000 divided into 60,00,000 equity shares of Rs. 10/- each. The present issued, subscribed and paid-up equity share capital of the Company is Rs. 5,37,38,000 divided into 53,73,800 equity shares of Rs. 10/- each, fully paid-up. The shareholding pattern as at December 31, 2017 was as under:

Category	% of Total Shares
Promoters	0%
Public	100%





- 1.4 As on March 31,2017 as per the audited financial statement of the Company, the paid-up equity share capital of the Company was Rs 5,37,38,000/- (Five Crore Thirty-Seven Lakh Thirty-Eight Thousand Only) and accumulated losses of Rs. 3,34,99,586.91/- (Three Crore Thirty-Four Lakh Ninety-Nine Thousand Five Hundred and Eighty-Six and Paise Ninety-One Only).p
- 1.5 The registered office of the Company is situated at 103, Roha Orion, 16<sup>th</sup> Street, Near 33<sup>rd</sup> Road, TPS III, Bandra W, Mumbai, Mumbai City-400050, Maharashtra.

## **2 SCOPE AND PURPOSE OF THIS REPORT**

- 2.1 The Company proposes to implement a scheme of reduction of paid up equity share capital of the Company amounting to Rs. 37,616,600/- and that such reduction be effected by writing off the Accumulated Losses by Rs. 33,499,586.91/- and transferring an amount of Rs. 4,117,013.09/- to Capital Reserve Account to give true and fair view of books of accounts of the Company, subject to the consent of the shareholders and the approval from the Court and other statutory authorities as and where applicable.
- 2.2 In this connection, the management of Company has engaged Fedex Securities Limited to submit a report on the fairness of the Scheme as per requirement of the Securities and Exchange Board of India ("SEBI") Circular Number CFD/DIL3/CIR/2017/21 dated March 10, 2017 ("SEBI Circular") as amended by SEBI Circular Number CFD/DIL3/CIR/2018/2 dated January 3, 2018. Our Scope of work includes commenting only on the fairness of the Scheme.
- 2.3 This report is subject to the scope and limitation detailed hereinafter. As such the report is to be read in totality, not in parts and in conjunction with the relevant documents referred to herein. This report has been issued only for the purpose of facilitating the scheme and should not be used for any other purpose.







### **3 SOURCE OF INFORMATION**

We have relied on the following information provided by the Company for framing our opinion on the fairness of the Scheme:

- a) Draft of the Scheme of Reduction of paid-up equity share capital of Rajasthan Gases Limited;
- b) Annual Reports of the Company for the financial years ended 2014-15, 2015-16 and 2016-17;
- c) Copy of Memorandum and Article of Association of Rajasthan Gases Limited; and
- d) Certificate from M/s R.K. Malpani & Associates, Chartered Accountants, the statutory auditors of the Company dated 01.03.2018 on non -applicability of Valuation report in terms of Paragraph 4(a) of Annexure-I to Securities and Exchange Board of India (SEBI) Circular Number CFD/DIL3/CIR/2017/21 dated March 10, 2017 as amended by SEBI Circular Number CFD/DIL3/CIR/2018/2 dated January 3, 2018.

We have also obtained necessary explanation and information, which we believed were relevant to the present exercise, from the representative of the Company.

### **4 KEY FEATURES OF THE SCHEME**

- 4.1 The Company has accumulated losses of Rs. 3,34,99,586.91/- (Three Crore Thirty-Four Lakh Ninety-Nine Thousand Five Hundred Eighty-Six and Paise Ninety-One only) as on March 31, 2017. The Company's Reserve and Surplus as on March 31, 2017 includes accumulated losses of Rs. 3,34,99,586.91/- (Three Crore Thirty-Four Lakh Ninety-Nine Thousand Five Hundred Eighty-Six and Paise Ninety-One only).
- 4.2 The Company proposes to implement a reduction of capital under Section 66(1) of the Companies Act, 2013 and National Company Law Tribunal (Procedure for Reduction of Share Capital of Company) Rules, 2016.





- 4.3 Further Article 10 of the Article of Association of the Company authorizes the Company to reduce its share capital in any manner in accordance with the provision of the Companies Act, 2013 and /or Companies Act, 1956.
- 4.4 Reduction of Capital of the Company by 70%, so that post reduction, the Nominal value and paid-up value of each equity share shall be reduced from Rs. 10/- per equity share to Rs. 3/- per equity share. The Reduction of capital shall be on proportionate basis and there shall not be any change in percentage of shareholding of any shareholder of the Company.
- 4.5 Thus, reduction of Paid-up share capital in the manner specified above would be deemed as reduction of capital under the provision of Section 66 of the Companies act 2013. Accordingly, the present reduction of paid up capital is being proposed under provision of Section 66 of the Companies Act, 2013 and National Company Law Tribunal (Procedure for Reduction of Share Capital of Company) Rules, 2016.
- 4.6 The Proposes scheme will enable the Company to re-align the relation between the capital and assets; and to accurately and fairly reflect the liabilities and assets of the Company in its books of accounts; and for better presentation of the financial position of the Company. The adjustment/Set-off of the paid-up capital with accumulated losses would not have any impact on the shareholding pattern, and the Capital Structure of the Company.
- 4.7 The reduction does not involve either diminution of any liability in respect of the unpaid share capital or payment to any shareholder of any paid-up capital and the order of the NCLT sanctioning the Scheme shall be deemed to be an order confirming the reduction.







## **5 VALUATION REPORT**

On the basis of our verification of the proposed Scheme and the certificate provided by the statutory auditors of the Company, M/s R.K. Malpani & Associates, Chartered Accountants dated 01.03.2018, the requirement of obtaining a valuation Report from an Independent chartered accountant vide SEBI Circular Number CFD/DIL3/CIR/2017/21 dated March 10, 2017 as amended by SEBI Circular Number CFD/DIL3/CIR/2018/2 dated January 3, 2018 is not applicable as the Scheme is being undertaken for setting of the acculturated losses by reduction in the paid up capital as such there would be no swap arrangement or issuance of share. Consequently, there would be no change in shareholding pattern of the Company pursuant to the proposed reduction of capital.

## **6 EXCLUSION & LIMITATION**

Our report is limited to the scope limitation detailed hereinafter;

- 6.1 In the Course of present exercise, we were provided with both written and verbal information including financial data. Our report is based on the information furnished to us being complete and accurate in all material respects. We have relied upon the historical financials and the information and representation furnished to us without carrying out any audit or other tests to verify its accuracy with limited independent appraisal. Also, we have been given to understand by the management of the company that they have not omitted any relevant and material factors. Accordingly, we do not express any opinion or offer any form of assurance regarding its accuracy and completeness. We assume no responsibility whatsoever for any errors in the above information furnished by the Company and their impact on the present exercise.
- 6.2 Our work does not constitute an audit, due diligence or verification of historical financials or including the working results of the Company or the business referred to in the report. Accordingly, we are unable to and do not express an opinion on the fairness or accuracy of any financial information referred in this report.





- 6.3 We express no opinion whatsoever and make no recommendation at all to the Company's underlying decision to effect proposed Scheme or as how the shareholders of the equity shares should vote at their respective meeting held in connection with scheme
- 6.4 We do not express and should not be deemed to have expressed any views on any other terms of proposed scheme. We also express no opinion and accordingly accept no responsibility or as to the prices at which the equity shares of Rajasthan Gases Limited will trade following the announcement of the proposal or as to the financial performance of Rajasthan Gases limited following the consummation of the proposal.
- 6.5 Our analysis results are also specific to the date of this report. An exercise of this nature involves consideration of various factors. This report is issued on the understanding that the Company has drawn our attention to all matters, which they are aware of concerning the financial position of the Company, its business and any other matter, which may have an impact on our opinion for the proposal. We have no responsibility to update this report for events and circumstances occurring after the date of this report.
- 6.6 This report is intended only for the sole use and information of the Company only in connection with the scheme including for the purpose of obtaining judicial and regulatory approvals for the Scheme. We are not responsible in any way to any person/party including to provide finance/invest in the shares/business of any of the Company or its subsidiaries shall do after seeking their own profession advice and after carrying out their own due diligence procedure to ensure that they are making informed decision.
- 6.7 It is hereby notified that any reproduction, Copying or otherwise quoting of this report or any part thereof, other than in connection with the scheme as aforesaid can be done only with prior permission in writing.
- 6.8 This report has been issued for the sole purpose to facilitate the company to comply with regulation 37 of the SEBI (Listing Obligation and Disclosure Requirements) 2015, as amended from thereof and relevant SEBI circulars.







**7 OPINION & CONCLUSION**

Subject to caveats as detailed hereinbefore, we as Merchant Banker hereby certify that we have reviewed the Scheme of Reduction of Share Capital of the Company and observed the same to be fair and reasonable.

For Fedex Securities Limited

Authorized Signatory

