



# CIL securities Ltd

REGD. OFF : 214, RAGHAVA RATNA TOWERS, CHIRAG ALI LANE, ABIDS, HYDERABAD - 500 001.

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CIN No - L 67120TG1989PLC010188

Ref: CILS/SEC/MB/2015/09

Date: 22<sup>nd</sup> September, 2015

To,  
The Board of Directors,  
NARBADA GEMS AND JEWELLERY LIMITED,  
3-6-290/18, 1st Floor  
Sadhna Building, Hyderguda  
Hyderabad - 500 029.

Dear Sir(s),

**Sub: Fairness Opinion - on the Draft scheme of Reduction of Capital of M/s NARBADA GEMS AND JEWELLERY LIMITED - under section 100 to 104 of Companies Act 1956 read with Section 66 of the Companies Act, 2013.**

We refer to the engagement letter issued to us, to give "Fairness Opinion Report" on the Independent Valuation done by M/s G.S. Murty & Associates, Chartered Accountants, vide their Report dated 21.09.2015.

Our opinion is provided in the annexure consisting of seven pages.

Yours faithfully,

For CIL SECURITIES LTD

INM000009694

K. K. MAHESHWARI

MANAGING DIRECTOR

DIN: 00223241



Encl: as above

Fairness Opinion Report for Proposed Scheme of Reduction of Capital of  
NARBADA GEMS AND JEWELLERY LIMITED

Prepared by



**CIL Securities Limited**

214, Raghava Ratna Towers,  
Chirag Ali Lane, Abids, Hyderabad – 500 001  
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September 22<sup>nd</sup>, 2015

SEBI Registered Category I Merchant Banker  
SEBI Registration No. INM000009694



214, RAGHAVA RATNA TOWERS, CHIRAG ALI LANE, ABIDS, HYDERABAD – 500001

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# CIL SECURITIES LIMITED

## Terms of Reference

CIL Securities Ltd, a SEBI Registered Category I Merchant Banker with SEBI Registration Number INM000009694, have been appointed by M/s NARBADA GEMS AND JEWELLERY LIMITED (here in after referred to as the Company) having their Registered Office at 3-6-290/18, 1st Floor, Sadhna Building, Hyderguda, Hyderabad – 500 029 to give a “Fairness Opinion” Pursuant to Clause 24(h) of the Listing Agreement on the Valuation Report issued by M/s G.S. Murty & Associates, Chartered Accountants vide their Report dated 21.09.2015 for the Proposed Scheme of Capital Reduction of the Company.

## Objective of the “Fairness Opinion” Report

The Objective of this report is to provide a fairness opinion on the Report dated 21.09.2015 consisting of six pages, given by M/s G.S. Murty & Associates, Chartered Accountants, FRN: 006005S represented by CA Sri K Ramgopal, Membership No. 208401 having office at Flat No. 308 B, D.No. 3-6-290/B, III Floor, Sai Tirumala Towers, Hyderguda, Hyderabad – 500 029.

## Scope of Work

To issue fairness opinion report based on financial data and information provided to us by M/s Narbada Gems And Jewellery Limited and Equity Shares Valuation Report done by M/s G.S. Murty & Associates, Chartered Accountants vide their Report dated 21.09.2015.

## Brief Corporate Profile

### M/s Narbada Gems And Jewellery Limited – a Brief Profile

M/s Narbada Gems And Jewellery Limited, is a Company incorporated under the Companies Act, 1956 vide CIN: L01222TG1992PLC014173 on 05.05.1992. The Company was originally incorporated in the name of M/s Singh Foods Limited with the Registrar of Companies, Andhra Pradesh. Subsequently the name of the Company was changed to “Starchik Specialties Limited” on 16.03.1993 before public issue and the Company was then taken over by the present management, which is in the business of manufacturing and dealing in gold and precious stone studded jewellery. In 2008, the name of the Company was changed to M/s Narbada Gems And Jewellery Limited reflecting the current business activity of the Company.



214, RAGHAVA RATNA TOWERS, CHIRAG ALI LANE, ABIDS, HYDERABAD – 500001

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# CIL SECURITIES LIMITED

## Board of Directors

DIN/DPIN/PAN	Full Name	Designation	Present residential address	Date of Appointment
628033	Ritesh Kumar Sanghi	Director	8-2-686/DR/7, Road No. 12, Banjara Hills, Hyderabad, 500034, Telangana	29-06-2007
629693	Sanjay Kumar Sanghi	Managing director	8-2-686/D/6/7, Road No. 12, Banjara Hills, Hyderabad, 500034, Telangana	14-10-2006
914894	Vinod Agarwal	Director	8-2-686/D/B-3, Road No.12, Banjara Hills, Hyderabad, 500034, Telangana,	14-10-2006
1903161	Ramprasad Vempati	Director	Plot:47, Ayodhya Colony, Near Sharada Theatre,Kapra, Hyderabad, 500062, Telangana	14-01-2007
2681438	Bhavana Sanghi	Director	Narbada Niwas, 8-2-686/DR/6AND7, Road No - 12, Banjara Hills, Hyderabad, 500034, Telangana	14-05-2014
3022978	Siddharth Goel	Director	1-8-582, Industrial Area, Azambad, Hyderabad, 500020, Telangana	12-05-2012

(Source: [www.mca.gov.in](http://www.mca.gov.in) as on 22.09.2015)

### Main Object

To carry on the business of dealers, traders, manufacturers, refiners, processors, assayers and investors in metals, bullion, gold, silver, diamonds, precious stones, ornaments and jewellery, coins and to carry on the work of manufacturing of jewellery items made of any metals, to carry on the trading in bullion, silver and jewellery items whether as wholesalers or retailers, exporters, importers, job workers, consignors, contractors, vendors, stockist, distributors of semi precious decorative stones, imitation, synthetic, distributors of semi precious, decorative stones, imitation, synthetic, natural and other varieties of stones and materials whatsoever such items and promote brands in the line of business.

### Capital Structure

The Authorized Equity Share Capital of the Company as on 31.03.2015 is Rs. 650 Lacs and Paid-up Equity Capital of the Company is Rs. 539.22 Lacs. Face Value of the Equity Share is Rs.10/- each.

The Board of Directors of *Narbada Gems And Jewellery Limited* is proposing a scheme where on the effective date and after securing necessary approvals and permissions, the accumulated losses of Rs. 2,42,64,900/- of the Company out of total accumulated loss of Rs. 2,49,29,648 / - is to be set off against the paid up capital of the Company of Rs.5,39,22,000/- consisting of 53,92,200 fully paid up shares of Rs. 10/- each to Rs. 2,96,57,100 divided into 29,65,710 fully paid up shares of Rs. 10/-.

Consequently, every shareholder of the Company, whose name appears on the register of Members on the Record Date, shall receive 55 Equity Shares of Rs.10/- each in lieu of every 100 Equity Shares of Rs.10/- each held in the Company.



214, RAGHAVA RATNA TOWERS, CHIRAG ALI LANE, ABIDS, HYDERABAD – 500001

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## CIL SECURITIES LIMITED

We, CIL Securities Limited, a SEBI registered category-I Merchant Banker, have been engaged to give a fairness opinion on Valuation Report issued for the proposed Scheme on Reduction of Capital of *Narbada Gems And Jewellery Limited*. The Valuation mentioned herein reflects our independent opinion which is arrived at based on the information provided to us.

### Purpose and Rationale of the Reduction of Capital

There is accumulated losses in the Company's Balance Sheet, and the objective is to clean its books and raise financial resources for business expansion.

The purpose of the scheme is to reorganize the Capital Structure of the Company so as to represent the realistic value of the Company.

### Statement of Limiting Conditions

Our expression of the Fairness Opinion on the Value per Share for the Proposed Scheme of Capital Reduction of *M/s Narbada Gems And Jewellery Limited* is based on the financial statements and working done on the basis of financial results.

1. The Report is issued on the understanding that the Company has made all disclosures related to all material information and its financial position, which has an impact in arriving at the fairness opinion given on the valuation report.
2. Neither CIL Securities Ltd nor any of its employees has a financial interest in the Subject Company and/or asset(s). Additionally, the fee for this report is not contingent upon the value reported therein.
3. No investigation of the title to the subject asset(s) has been made and the owner's claims to the subject asset(s) are assumed to be valid. No responsibility is assumed for matters of legal nature, including liens or encumbrances, which may be against the subject asset(s), except as specifically stated in the report. Our work does not constitute an audit or certification of historical statements including the working results of the Companies referred in this report.
4. We take no responsibility to update this report for events and circumstances occurring after the date of this report.



214, RAGHAVA RATNA TOWERS, CHIRAG ALI LANE, ABIDS, HYDERABAD – 500001

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## CIL SECURITIES LIMITED

5. This report has been prepared solely for the purpose stated and should not be used for any other purpose.
6. On the basis of our professional skill, our understanding of the business, related to the industry, market survey, we have arrived at the Fairness opinion. Neither CIL Securities Ltd nor any individual signing or associated with this report shall be required by reason of this report to give testimony or appear in court or other legal proceedings.
7. Our report is not and nor should it be construed as our opinion or certifying the Compliance of the proposed arrangement of capital reduction with the provisions of any Law including Companies, Taxation, Foreign Exchange Regulations and Capital Market related laws or as regards any legal implications or issues arising from such arrangement.

### KEY EXTRACTS OF VALUATION REPORT OF M/S G.S. MURTY & ASSOCIATES, CHARTERED ACCOUNTANTS

The basic valuation methodologies adopted for the purpose are

1. Market based approach
2. Asset based approach;
3. Earnings based approach

The Company's shares are infrequently traded and therefore market based valuation is not considered. Out of the remaining two approaches Asset Based Valuation Method is more appropriate which represents the erosion in asset value and in consequential reduction in share capital.

Due care on operating guidelines for valuation of the Equity Shares have been considered for the purpose of valuation of equity share for the proposed scheme of Reduction of Capital of the Company.

The Capital Structure pre and post reduction is as follows:

Particulars	Unit	Before Reduction	Post Reduction
Paid Up Capital	Rs.	5,39,22,000	2,96,57,100
Shares Forfeited Account	Rs.	2,67,700	2,67,700
Reserves and Surplus	Rs.	(2,49,29,648)	(6,64,748)
Net worth	Rs.	2,92,60,052	2,92,60,052
No. of Shares	No.	53,92,200	29,65,710
Face Value of Each Share	Rs.	10/-	10/-



214, RAGHAVA RATNA TOWERS, CHIRAG ALI LANE, ABIDS, HYDERABAD – 500001

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### Conclusion and Opinion on Valuation Report

Our review was performed to recommend the fairness of the Valuation of Shares arrived at, for the purpose of supporting the valuation and decision making process of the Company for the purpose of clause 24(f) read with clause 24(h) of the listing agreement subject to the sanction and approval of the Scheme of Arrangement consisting of twenty six pages of M/s *Narbada Gems And Jewellery Limited* by the Jurisdictional Court, Shareholders and other relevant authorities.

In the event the aforementioned Arrangement being approved by the Shareholders and confirmed by the Hon'ble Court the Equity Share Capital of the Company will be reduced by cancelling a sum of Rs. 2,42,64,900/- which will result in reduction of shareholding in such a manner that a shareholder holding 100 shares of Rs.10 each will have only 55 shares of Rs. 10 each.

For Recommendation of "Fairness Opinion on Value of Equity Share" we have relied upon the following data and documents for information:-

- Audited Profit and Loss Account and Balance Sheets of M/s *Narbada Gems And Jewellery Limited* for the years ending March 31<sup>st</sup>, 2015, 2014 and 2013.
- Discussions with the Management of M/s *Narbada Gems and Jewellery Limited*.
- Certified True Copy of the Valuation Report dated 21.09.2015 consisting of six pages by M/s G.S. Murty & Associates Chartered Accountants submitted to us.
- Draft Scheme of Reduction of Capital consisting of Twenty Six pages between *Narbada Gems And Jewellery Limited* and its shareholders.
- Industry databases

Some of the website from where data has been used is: -

- [www.bseindia.com](http://www.bseindia.com)
- Capital Line Plus Database
- [www.moneycontrol.com](http://www.moneycontrol.com)
- Various references sites through [www.google.co.in](http://www.google.co.in)

Besides, we have also used various other industry data sources.



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Based on the information, material data made available to us including the valuation report and working thereto by the valuer M/s. G.S. Murty & Associates, Chartered Accountants, we report that:

On the basis of the documents verified and information sought from the management of Narbada Gems And Jewellery Limited including valuation report and working thereto, to the best of our knowledge and belief, the methodology used and corresponding valuation of Equity Share suggested by the valuer M/s. G.S. Murty & Associates, Chartered Accountants, vide their Report dated 21<sup>st</sup> September, 2015 appears to be Fair and Reasonable.

  
