

FAIRNESS OPINION REPORT

FOR THE PROPOSED DEMERGER OF

SHIPPING CORPORATION OF INDIA LIMITED
(DEMERGED COMPANY)

AND

A NEWLY FORMED WHOLLY OWNED SUBSIDIARY OF THE COMPANY FOR THE PURPOSE
OF DEMERGER

(RESULTING COMPANY)

UNDER SECTION 230 - 232 OF THE COMPANIES ACT, 2013

 **Corporate
Professionals**

3rd August, 2021

Strictly Private & Confidential



Ref. No: CPC/MB/055/2021-22
SEBI Reg. No: INM000011435

To
The Board of Directors
Shipping Corporation of India Limited
Shipping House, 245 Madame Cama Road,
Mumbai - 400021.

To
The Board of Directors
A newly formed wholly owned subsidiary of
the Company for the purpose of Demerger

Sub: Fairness Opinion on Equity Share Entitlement Ratio for Transfer and vesting of Non-Core Assets ("Demerged Undertaking") of Shipping Corporation of India Limited (Demerged Company) into a newly formed wholly owned subsidiary of the Company for the purpose of Demerger (Resulting Company) through Scheme of Arrangement for Demerger under the Provisions of Section 230-232 of the Companies Act, 2013.

Dear Sir,


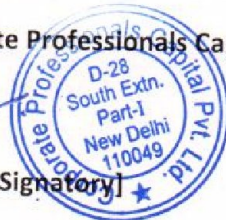
We refer to our discussion wherein management of Shipping Corporation of India Limited and newly formed wholly owned subsidiary of the Company for the purpose of Demerger, wholly owned subsidiary of the Company has appointed Corporate Professionals Capital Private Limited (SEBI registered category I Merchant Banker) to provide a Fairness Opinion on the share entitlement ratio certified by Shri. Harish Chander Dhamija in connection with the Demerger of an undertaking i.e. Non-Core Assets of Shipping Corporation of India Limited (Demerged Company / SCI) into a newly formed wholly owned subsidiary of the Company for the purpose of Demerger (Resulting Company) (hereinafter referred to as "Proposed Scheme/Scheme/Scheme of Arrangement").

In terms of our engagement, we are enclosing our opinion along with this letter. All comments as contained herein must be read in conjunction with the caveats to this opinion. The opinion is confidential and has been made in accordance with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as "Listing Regulations") read with SEBI No SEBI/HO/CFD/DIL1/CIR/2020/249 dated December 22, 2020, it should not be used, reproduced or circulated to any other person, in whole or in part, without the prior consent of **Corporate Professionals Capital Private Limited**, such consent will only be given after full consideration of the circumstance at the time. We are however aware that the conclusion in this report may be used for the purpose of disclosure to be made to the stock exchanges, Ministry of Corporate Affairs ("MCA") and notices to be dispatched to the shareholder and creditors for convening the meeting pursuant the directions of MCA and we provide consent for the same.

Please feel free to contact us in case you require any additional information or clarifications.

Yours Faithfully,

For Corporate Professionals Capital Private Limited



[Authorized Signatory]

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Context and Background

The Government of India is in the process of strategic disinvestment of its equity stake in Shipping Corporation of India Limited. To facilitate such disinvestment of SCI in easier and faster manner and to unlock the value business and assets, it is found appropriate by the management of SCI that the Non-core Assets-of the Company, of which value is not getting reflected in the value of business of SCI, should be separated from SCI and should be kept in an independent entity and a separate strategy should be formed for unlocking the value of such Non-core Assets. Considering this, and in line with the guidance of DIPAM, the management of the Companies is of the view that demerger of Non-Core Assets of SCI into a newly incorporated company pursuant to the Scheme of Arrangement.

At present, 63.75% equity shares of SCI are owned by Government of India. The Government of India has decided for strategic disinvestment of its stakes in SCI. As part of the strategic disinvestment process, the Department of Investment and Public Asset Management ('DIPAM') has analysed the business of SCI and in consultation with the management of SCI has determined the Core Business Assets and Non-core Assets of the Company. Now, with the intent to effective and efficient disinvestment of SCI, the management is contemplating to Demerge/ Hive-Off its Non-Core Assets.

We understand that the proposed Scheme of Arrangement, provides for the Demerger of Non - Core Assets-of the Demerged Company and the vesting thereof in the Resulting Company in accordance with the terms of the Scheme and pursuant to the provisions of Sections 230 and 232 of the Companies Act, 2013 and other relevant provisions of the Companies Act, 2013. The equity shares of Resulting Company are proposed to be listed on the Stock Exchanges pursuant to the Scheme.

The board of directors of the Demerged Company and Resulting Company have resolved to transfer and vesting of Non-Core Assets of Shipping Corporation of India Limited (Demerged Company) into a newly incorporated company (Resulting Company) through a Scheme of Arrangement of Demerger which would be in the interests of the shareholders, creditors and employees of the Demerged Company and the Resulting Company. The Demerged Company is the largest Indian Shipping Company. The SCI has substantial interests in various segments of the shipping trade. SCI's owned fleet includes Bulk carriers, Crude oil tankers, Product tankers, Container vessels, LPG / Ammonia carriers and Offshore Supply Vessels. Sailing through for six decades, SCI today has a significant presence on the global maritime map.



BRIEF ABOUT COMPANIES

1. **Shipping Corporation of India Limited** (hereinafter referred to as "SCI" or "Demerged Company"), is a Government Company, within the meaning of section 2(45) of the Companies Act, 2013, incorporated under the Companies Act, 1956 on October 2, 1961, by the amalgamation of Eastern Shipping Corporation Limited and Western Shipping Corporation Limited by the order of Government of India. It is having its registered office at 'Shipping House', 245, Madame Cama Road, Mumbai-400021 India. It is a widely held listed company, with its equity shares listed on National Stock Exchange of India Limited and BSE Limited.

Extract of Management Certified Balance Sheet of Non-Core Assets of Shipping Corporation of India Limited as on 31.03.2021

Particulars	Amount in INR Mn
Total Assets	23,917.40
Total Liabilities	2,729.90
Net Asset Value	21,187.50

This includes land at MTI Powai along with its Building and Solar Plant. If a decision to sell/ transfer entire MTI as a unit/undertaking is taken, all associated assets and liabilities of MTI as appearing in the financial statements will be deemed to be part of Non-Core Assets for this Scheme.

The Capital Structure of the Demerged Company (Shipping Corporation of India Limited) as on 31st March, 2021 (Pre-Demerger) is as follow:

Particulars	Amount (INR)
Authorized Share Capital 1,00,00,00,000 equity shares of INR 10/- each	10,00,00,00,000/-
Issued, Subscribed and Paid-up Share Capital 46,57,99,010 equity shares of INR 10/- each	4,65,79,90,100/-
Total	4,65,79,90,100/-

2. It has been informed by the management that Resultant Company shall be incorporated as a wholly owned subsidiary of the Demerged Company, which is under the processes of incorporation for the purpose of Demerger, which will be incorporated as public limited company under the Companies Act, 2013 having its registered office at Shipping House, 245 Madame Cama Road, Mumbai - 400021. It has been informed by the management that this company will be incorporated with object of carrying on the business by acquiring the Non-Core Assets of SCI.

The Resulting Company will be a wholly owned subsidiary of Demerged Company. However, once the Scheme of Arrangement for Demerger is effective, the Resulting Company will have a replica shareholding of Demerged Company.

It has also been informed by the management that the shares of "Resulting Company" will be listed on Bombay Stock Exchange Limited ("BSE") and National Stock Exchange Limited ("NSE").

Based on Certified Balance Sheet provided by the management, the Net Assets as on 31 March 2021 of SCI (Non-Core Assets), SCI (Core Business Assets) and SCI (Total) are summarized below:

(Amount in INR Mn)

Particulars	As at 31 March 2021		
	SCI (Non -Core)	SCI (Core)	SCI total



Total Assets (Non-Current Assets & Current Assets)	23,917.4	107451.9	131369.3
Total Liabilities (Non-Current Liabilities & Current Liabilities)	2729.9	49619.2	52349.1
Net Assets (Total Assets minus Total Liabilities)	21,187.5	57832.7	79020.2
% of Net Assets (Non-Core & Core)	26.81%	73.19%	100.00%

Note on Non-Core Assets:

(i) It has been specifically stated in the above management certified carved out Balance Sheet that the bifurcation has been done on the basis of information available and may change depending upon demerger strategy .

(ii) Freehold land includes MTI Land Powai and Kolkata land. Building includes cost of Shipping House at Mumbai Rs 13.4 million which is leasehold land. Building at MTI includes Sagar Gyan Complex, Data center, Residential Flats and Kolkata Shipping House etc. Furniture, Fittings and Equipment includes Solar Plant at MTI Land. Ownership Flats and Residential Building includes Cost of shares and Bonds in Cooperative Society/Company of face value of Rs 0.07 Million.

The Resulting Company shall be the Wholly Owned Subsidiary of the Demerged Company which will be used to carry the business of Demerged Undertaking of the Demerged Company in addition to the exiting objects with which it was incorporated.

SHARE ENTITLEMENT RATIO FOR DEMERGER: -

On the basis of Scheme of Arrangement, the Share Entitlement Ratio has been arrived at and accordingly the Resulting Company shall, without any further act or deed and without any further payment, issue and allot equity shares on a proportionate basis to each member of the Demerged Company whose name is recorded in the Register of Members/ List of Beneficial Owners for shares in dematerialized form of the Demerged Company on the Record Date to be fixed by the Demerged Company and Resulting Company.

It is clarified by the management of Demerged Company and Resulting Company in the Scheme of Arrangement that Record Date means a date after the effectiveness of the Scheme fixed by the board of SCI to determine the eligibility of shareholders to whom shares of the newly incorporated company wholly owned subsidiary of Demerged Company ("Resulting Company") shall be allotted pursuant to this Scheme.

Provided that in case, the Strategic Disinvestment of SCI happens before the Effective Date under the Scheme, the Record Date for purpose of promoters of SCI shall be deemed to be appointed date of the Scheme. In such an event, the Record Date to determine the eligibility of the shareholders other than the promoters of SCI shall be fixed by the Resulting Company.

The consideration for such proposed demerger will be discharged by issue of equity shares by Resulting Company (a newly incorporated company) to the equity shareholders of the Demerged Company (Shipping Corporation of India Limited).

As per Chapter 2 - Part IV, Clause 9.1 of Scheme of Arrangement, the management of the companies has decided to issue equal no. of equity shares in the Resulting Company to create replica shareholding of Demerged



Company in Resulting Company. The entitlement ratio for Demerger of Non-Core Assets of Shipping Corporation of India Limited into a Resulting Company is as follows:

1 (One) Equity share of face value of INR 10/- (Rupees Ten) each in a newly incorporated company (Wholly Owned Subsidiary) for every **1 (One)** Equity Share of face value of INR 10/- (Rupees Ten) each in Shipping Corporation of India Limited.

Accordingly, shareholders of Shipping Corporation of India Limited shall become shareholders of a newly incorporated company in the same proportion in which they own shares in Shipping Corporation of India Limited and investment of Shipping Corporation of India Limited in a newly incorporated company shall stand cancelled.

We have also been represented by the management that the Pre and Post demerger shareholding pattern of Shipping Corporation of India Limited will remain same as under:

Particulars	Pre-Demerger (% Holding)	Post-Demerger (% Holding)
Promoters	63.75	63.75
Non-Promoters	36.25	36.25
Total	100	100

Based on above and after considering that the companies involved in the Scheme of Arrangement belong to the same group and there is no change in the shareholding pattern of the companies, we certify the share entitlement ratio to be reasonable and fair.

Further, BSE Circular No. LIST/COMP/02/2017-18 dated 29 May 2017 and NSE Circular No. NSE/CML/2017/12 dated 1 June 2017 (collectively referred as "Stock Exchange Circulars") require the valuation report for a scheme of arrangement to provide certain requisite information in a specified format. The current transaction does not trigger the requirement of valuation report under SEBI Circular SEBI/HO/CFD/DIL1/CIR/P/2020/249 dated 22nd December, 2020, since there is no change in the shareholding pattern of the Companies.

Hence, as stated above, no relative valuation of these companies is required to be undertaken. Accordingly, we have not carried out valuation of these companies under generally accepted valuation principle of valuation.

However, we have given below the disclosure required under "Stock Exchange Circulars":

Valuation Approach	Non-Core Assets – (Demerged Undertaking) "A"		A Wholly Owned Subsidiary (Resultant Company) – "B"	
	Value per share of SCI for Non-Core Assets Division (INR)	Weight %	Value per share of A newly incorporated company (INR)	Weight %
Asset Approach	NA	Nil	NA	Nil



Market Approach	NA	Nil	NA	Nil
Income Approach	NA	Nil	NA	Nil
Relative Value per share	NA	Nil	NA	Nil
Share Entitlement ratio (A/B) (Rounded off)			NA	

NA - Not adopted/ Not Applicable



CONCLUSION & OPINION

As per chapter 2 - Part IV, Clause 9.1 of draft Scheme of Arrangement, the management of the companies has decided to issue equal no. of equity shares to the shareholders of the Resulting Company so as to create replica shareholding of Demerged Company in the Resulting Company. Further, there is no change in the promoter and public shareholding of the public listed company i.e., the Demerged Company and ultimate beneficial owners of Demerged Company shall become shareholders of Resulting Company in the same ratio (inter-se) as they hold shares prior to the demerger. It is also clarified that in the event the Disinvestment of the Company takes place prior to the effectiveness of the Scheme, the record date for reckoning the eligibility of Promoters shall be the appointed date.

"Subject to above read with the caveats as detailed later, we as a Merchant Banker hereby certify that pursuant to SEBI No SEBI/HO/CFD/DIL1/CIR/2020/249 dated December 22, 2020, we have reviewed the proposed Scheme of Arrangement for Demerger with respect to the share entitlement ratio aspects and consider it to be fair and reasonable from the point of view of equity shareholders of the Companies.

DISCLAIMER

We, Corporate Professionals Capital Private Limited ("CPCPL"), SEBI Registered Category -I, Merchant Banker were awarded the turnkey project for Demerger/Hive -Off/Sale of Assets by the Shipping Corporation of India Limited ("SCI") with right to appoint various consultants for completing the project.

In terms of SEBI Master Circular dated December 22, 2020 ("SEBI Circular") a valuation report is to be issued by registered valuer and a fairness opinion is to be issued by SEBI Registered, Merchant Banker on valuation report issued by the Independent Registered Valuer.

In view of the above, we have proposed and finalized the commercial terms with Mr. Harish Chandra Dhamija (Independent Registered Valuer, IBBI) to act as valuer to issue report on share entitlement for the proposed Scheme of Demerger for transfer of Non - Core Assets of SCI into a newly incorporated company. Also, in the capacity of merchant banker, we have issued a fairness opinion on report issued independent registered valuer in compliance of SEBI Circular.

We confirm that there is no conflict of interest between SCI and Corporate Professionals Capital Private Limited who are SEBI Registered, Merchant Banker for issuing fairness opinion on the Share Entitlement Report issued by the Registered Valuer. We also confirm that Mr. Harish Chandra Dhamija (Independent Registered Valuer, IBBI) is acting in an independent capacity and therefore is no conflict of interest between SCI and him.

We also confirm that there is no conflict of interest between Mr. Harish Chandra Dhamija (Independent Registered Valuer, IBBI) who is entrusted with the responsibility of issuing report on share entitlement and M/s Corporate Professionals Capital Private Limited ("CPCPL"), SEBI Registered Category -I, Merchant Banker who has issued a fairness opinion on valuation report issued by the Independent Registered Valuer.



CAVEATS

- We wish to emphasize that, we have relied on explanations and information provided by the respective management and other publicly available information. Although, we have reviewed such data for consistency and reasonableness, we have not independently investigated or otherwise verified the data provided.
- We have not made an appraisal or independent valuation of any of the assets or liabilities of the companies and have not conducted an audit or due diligence or reviewed / validated the financial data except what is provided to us by the Demerged Company and Resulting Company.
- The scope of our work has been limited both in terms of the areas of the business and operations which we have reviewed and the extent to which we have reviewed them. There may be matters, other than those noted in this 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 the Demerged Company & Resulting Company and the fee payable for this opinion is not contingent upon the opinion reported herein.
- Our Fairness Opinion should not be construed as investment advice; specifically, we do not express any opinion on the suitability or otherwise of entering into the proposed transaction.
- The Opinion contained herein is not intended to represent at any time other than the date that is specifically stated in this Fairness Opinion Report. This opinion is issued on the understanding that the Management of the Restructured Companies under the Scheme have drawn our attention to all matters of 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 Fairness Opinion.

