

April 12, 2017

PRIVATE & CONFIDENTIAL

Committee of Independent Directors
SHIVA CEMENT LIMITED,
P-25, Civil Township,
Rourkela 769004

Dear Sir,

APPOINTMENT:

This has reference to the Engagement Letter dated February 15, 2017 appointing us as Independent Advisor to the Committee of Independent Directors of Shiva Cement Limited ("**SCL**") pursuant to regulation 26(6) of the SEBI (Substantial Acquisition of Shares & Takeovers) Regulations, 2011 ("**the SEBI SAST Regulations**") with a view to provide an Independent review of the Open Offer made by JSW Cement Limited ("**Acquirer**") Sun Investments Private Limited and Reynold Traders Private Limited to acquire upto 6,24,00,000 equity shares representing 32% of the Emerging Share Capital from the shareholders of SCL at an Offer Price of Rs 14 per share, subsequently revised to Rs 16.35 per equity share.

We have today received from you a copy of the final Letter of Offer dated April 10, 2017 and have noted that in paragraph 45 of the Letter of Offer it is stated that "Sun Investments Private Limited has vide its letter dated March 27, 2017 to SEBI informed of its intention to not remain as person acting in concert with the Acquirer for the purpose of this Open Offer". Accordingly, Reynold Traders Private Limited is the only PAC and hence in the following paragraphs has been referred to as the **PAC**.

In the following paragraphs we have summarised our review & analysis on the Open Offer.

1. REVIEW & ANALYSIS OF THE OPEN OFFER:

- a) Unicon Merchants Private Limited, Mr R P Gupta and other promoter/ promoter group entities of SCL ("**Promoter Group**") and SCL entered into a Share Purchase Agreement with the Acquirer on January 10, 2017 whereby the Promoter Group agreed to sell to the Acquirer 6,94,53,817 equity shares amounting to 35.62% of the fully diluted equity share capital of SCL. Since the Acquirer has entered into an agreement to acquire voting rights in excess of 25% of the equity share capital of SCL, the execution of the said Share Purchase Agreement between the Promoter Group and the Acquirer triggered the open offer process under the SEBI SAST Regulations.
- b) A Public Announcement ("**PA**") dated January 10, 2017 was received by SCL from JM Financial Institutional Securities Limited, Manager to the open offer announcing the intention of the Acquirer and PAC to acquire up to 6,24,00,000 equity shares of SCL, constituting 32% of the Emerging Share Capital, subject to terms and conditions, at an offer price of Rs 14 per equity share ("**Offer Price**"). This was followed by the receipt by SCL of the Detailed Public Statement ("**DPS**") issued on January 17, 2017 the Draft Letter of Offer ("**DLOF**") dated January 24, 2017, and the final Letter of Offer ("**LOF**") dated April 10, 2017

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- c) On January 30, 2017 the Acquirer and PAC made open market purchases of equity shares of SCL on BSE and intimated through a corrigendum PA dated January 31, 2017 of having increased the Offer Price to Rs 15.58 per share.
- d) On February 2, 2017 a second corrigendum PA was issued whereby it was intimated that the Acquirer and PAC had made further open market purchases of equity shares of SCL on the BSE at a price higher than the revised Offer Price and that consequently the Offer Price was further thereafter increased to Rs 16.35 per share.
- e) On February 15, 2017 the Acquirer entered into a Share Purchase Agreement with ACC Limited whereby ACC Limited agreed to sell 2,36,50,000 equity shares of SCL representing 12.13% of the Emerging Share Capital to the Acquirer at a price of Rs 16.35 per share. A suitable corrigendum PA was issued on February 16, 2017.
- f) For the purposes of this Report, we have relied upon and reviewed the PA, DPS, DLOF, LOF, various corrigendum PA's issued in connection with the offer and the price data and volume of shares of SCL as traded on BSE as available on its website (www.bseindia.com).
- g) The Open Offer by the Acquirer and PAC has been made under the applicable regulation 3(1) and regulation 4 read with Regulation 13(1)(e) of the SEBI SAST Regulations, which regulations pertain to the need to make an open offer to the shareholders of a Company where any acquirer acquires 25% or more of the voting rights in such Company and/ or acquires control over such company.
- h) The Open offer has been made for 32% of the Emerging Share Capital of SCL which is more than the minimum of 26% stipulated in regulation 7 of the SEBI SAST Regulations and the Acquirer will also take control of SCL.
- i) The shares of SCL are frequently traded on the BSE Limited since the trading volume of the shares of SCL during the period of 12 calendar months preceding the month in which the PA has been made is in excess of 10% of the total number of shares of SCL.
- j) The Offer has been made at the final revised Offer Price of Rs 16.35 per equity share based on the price computed in compliance with the provisions of regulation 8(2) and regulation 8(8) of the SEBI SAST Regulations.

2. OUR OBSERVATIONS & FINDINGS:

- a) **Offer Price:**
 - i. The final revised Offer Price is Rs 16.35 per equity share.
 - ii. We are not delving into the subject of "Valuation" of the equity shares of SCL. This is because regulation 8(2) of the SEBI SAST Regulations states unambiguously that in case of direct acquisition the offer price **shall be** the "highest" of the price calculated as per the 5 applicable parameters listed out in regulation 8(2) of the SEBI SAST Regulations. Further, regulation 8(8) of the SEBI SAST Regulations states that if the Acquirer acquires or agrees to acquire any shares during the offer period at a price higher than the offer price, the offer price **shall stand revised** to the highest price paid for such acquisition.



- iii. One of the five applicable parameters listed in regulation 8(2) of the SEBI SAST Regulations is the volume weighted average market price of shares of SCL for 60 trading days immediately preceding the date of the PA. The shares of SCL are listed and traded on the BSE while the shares though listed on the Calcutta Stock Exchange, are not traded since the same are "Suspended" as per information available on the website of the Calcutta Stock Exchange. We have applied the test laid down in regulation 2 (1) (j) of the SEBI SAST Regulations to determine whether the shares of SCL are frequently traded and have concluded that the shares of SCL are indeed frequently traded in terms of the said regulation. The volume weighted average market price of shares of SCL on BSE for 60 trading days preceding the date of the PA is Rs 10.35.
- iv. Another parameter is the highest negotiated price per share of SCL for any acquisition under the agreement attracting the obligation to make a PA of an open offer. In terms of this parameter the Offer Price was Rs 14 per share since the Share Purchase Agreement with the Promoter Group was executed for acquiring the sale shares at a price of Rs 14 per share. Subsequently another Share Purchase Agreement was executed with ACC Limited where the acquisition price was Rs 16.35 which was the same as the then revised Offer Price.
- v. As has been noted in para 1d above, the Acquirer and PAC made open market purchases of equity shares of SCL on BSE at a price of Rs 16.35 per equity share as intimated vide the corrigendum PA of February 2, 2017. Such purchases having been done "during the offer period" attracted the provisions of regulation 8(8) of the SEBI SAST Regulations requiring the Offer Price to be revised to Rs 16.35 per share, which has been appropriately done.
- vi. The Board of Directors of SCL has not received any intimation from the Acquirer for purchases, open market or otherwise, of equity shares of SCL at a price higher than Rs 16.35 per share and hence the final revised Offer Price stands at Rs 16.35 per equity share.
- vii. Accordingly, we conclude that the final revised Open Offer price of Rs 16.35 per share is in compliance with the requirements of regulation 8 of the SEBI SAST Regulations and hence is fair and reasonable.

b) Escrow Account:

As per the Draft Letter of Offer an Escrow account has been created by the Acquirer for an amount of Rs 21.84 crores being the amount equal to at least 25% of the offer size by depositing the said amount of Rs 21.84 crores in an escrow account with ICICI Bank Limited towards meeting the escrow obligations of the Acquirer and PAC. In a corrigendum PA published on March 2, 2017, an updation was given that on February 28, 2017 the Acquirer had enhanced the amount deposited in escrow account to Rs 102.024 cr being 100% of the consideration payable in the Open Offer. We confirm that the Escrow account is in compliance with the requirement of the provisions of the SEBI SAST Regulations.

CONCLUSIONS:

On the basis of the analysis of the final revised Offer Price as disclosed in the Letter of Offer and on the basis of the observations made above, we are of the opinion that the final revised Offer Price is fair and reasonable.




USE OF OUR REPORT:

This Report has been issued as per the request and requirement of the Committee of Independent Directors in connection with the said Open Offer and is not to be used for any other purpose without our consent.

We will be thankful if you will kindly return a signed copy of this Report as a token of your receipt of the same in terms of our appointment as stated above.

Thanking you,

Yours faithfully,
For **PL CAPITAL MARKETS PVT LTD**


D.J.KALYANIWALA
VICE PRESIDENT- INVESTMENT BANKING

