

**SSPA & CO.**

Chartered Accountants

1st Floor, "Arjun", Plot No. 6 A,

V. P. Road, Andheri (W),

Mumbai - 400 058. INDIA.

Tel. : 91 (22) 2670 4376

91 (22) 2670 3682

Fax : 91 (22) 2670 3916

Website : www.sspa.in

**STRICTLY PRIVATE & CONFIDENTIAL**

05 September 2018

**The Board of Directors**  
**Welspun Corp Limited**  
 Welspun City, Village Versamedi,  
 Tal. Anjar, Kutch,  
 Gujarat - 370 110

**The Board of Directors**  
**Welspun Pipes Limited**  
 Survey No 76, Village Morai,  
 Vapi Valsad,  
 Gujarat - 396 191

**Sub: Recommendation of fair equity share exchange ratio for the proposed amalgamation of Welspun Pipes Limited ('WPL') with Welspun Corp Limited ('WCL')**

Dear Sir(s) / Madam(s),

We refer to our engagement letter dated 08 Jun 2018, whereby SSPA & Co., Chartered Accountants (hereinafter referred to as 'SSPA' or 'Valuer' or 'We') have been requested by the management of WCL and WPL, (collectively referred to as "Companies" or "Clients") to issue a report containing recommendation of fair equity share exchange ratio for the proposed amalgamation of WPL with WCL.

**1. SCOPE AND PURPOSE OF THIS REPORT**

1.1 We have been given to understand that in order to *inter alia* simplify the shareholding structure of WCL and reduction of shareholding tiers, it is proposed that WPL will amalgamate into WCL in accordance with the provisions of Sections 230 to 232 and other applicable provisions of Companies Act, 2013 (hereinafter referred to as 'Scheme of Amalgamation'). Subject to necessary approvals, WPL would be merged with WCL, with effect from appointed date of 17 August 2018 (hereinafter referred to as 'Proposed Transaction'). As a consideration for the Proposed Transaction, equity shareholders of WPL would be issued equity shares of WCL.

1.2 In this regard, we have been requested to issue a report containing recommendation of fair equity share exchange ratio for the Proposed Transaction.



## 2. BACKGROUND

### 2.1 WELSPUN CORP LIMITED

WCL, the flagship company of Welspun Group, is a global giant in the Large Diameter Line Pipe segment with manufacturing facilities in India, USA and Saudi Arabia. WCL offers a range of high grade line pipes ranging - from 1.5 inch to 140 inches for transmission of oil & gas and also provide facilities such as coating, bending and double jointing.

The equity shares of WCL are listed on BSE Limited ('BSE') and the National Stock Exchange of India Limited ('NSE').

### 2.2 WELSPUN PIPES LIMITED

WPL is an investment holding company, mainly holding 11,04,49,818 equity shares (i.e. 41.64% equity stake) in WCL.

The shareholding pattern of WPL as on date is as under:

Name of the Shareholder	No. of Shares	% of holding
Balkrishnan Goenka, Trustee of Welspun Group Master Trust and Nominees	50,000	100%
<b>Total</b>	<b>50,000</b>	<b>100%</b>

## 3. SSPA & CO., CHARTERED ACCOUNTANTS

SSPA is a partnership firm, located at 1<sup>st</sup> Floor, Arjun Building, Plot No. 6A, V. P. Road, Andheri (W), Mumbai – 400 058, India. SSPA is engaged in providing various corporate consultancy services.

## 4. SOURCES OF INFORMATION

For the purpose of this exercise, we have relied upon the following sources of information as provided by the management of the Companies:

- Audited financial statements of WPL and WCL for FY 2017-18.
- Draft Scheme of Amalgamation.
- Such other information and explanations as required and which have been provided by the management of the Companies.



## 5. SCOPE LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS AND DISCLAIMERS

- 5.1. Our report is subject to the scope limitations detailed hereinafter. As such the report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to herein and in the context of the purpose for which it is made.
- 5.2. This report has been prepared for the Board of Directors of WCL and WPL solely for the purpose of recommending a fair equity share exchange ratio for the proposed amalgamation of WPL with WCL.
- 5.3. We have been represented by the Management of the Companies that the Companies have clear and valid title of assets. No investigation on WPL's claim to title of assets has been made for the purpose of this report and their claim to such rights has been assumed to be valid.
- 5.4. For the purpose of this exercise, we were provided with both written and verbal information including information detailed hereinabove in para 'Sources of Information'. Further, the responsibility for the accuracy and completeness of the information provided to us by the Companies / auditors is that of the respective Companies. Also, with respect to explanations and information sought from the Companies, we have been given to understand by the Management of the Companies that they have not omitted any relevant and material facts about the respective Companies. The Management of the Companies have indicated to us that they have understood that any omissions, inaccuracies or misstatements may materially affect our valuation analysis / conclusions. Our work does not constitute an audit, due diligence or certification of these information referred to in this report including information sourced from public domain. Accordingly, we are unable to and do not express an opinion on the fairness or accuracy of any information referred to in this report and consequential impact on the present exercise. However, nothing has come to our attention to indicate that the information provided / obtained was materially misstated / incorrect or would not afford reasonable grounds upon which to base the report.
- 5.5. The fee for the engagement and this report is not contingent upon the results reported.
- 5.6. This report is prepared only in connection with the proposed amalgamation exclusively for the use of the Companies and for submission to any regulatory/statutory authority as may be required under any law.



- 5.7. Our report is not, nor should it be construed as our opining or certifying the compliance of the proposed amalgamation with the provisions of any law including companies, taxation and capital market related laws or as regards any legal implications or issues arising from such proposed amalgamation.
- 5.8. Any person/party intending to provide finance/divest/invest in the shares/convertible instruments/ business of the Companies shall do so after seeking their own professional advice and after carrying out their own due diligence procedures to ensure that they are making an informed decision.
- 5.9. The decision to carry out the transaction (including consideration thereof) lies entirely with the Management/the Companies and our work and our finding shall not constitute a recommendation as to whether or not the Management/the Companies should carry out the transaction.
- 5.10. Our Report is meant for the purpose mentioned in Para 1 only and should not be used for any purpose other than the purpose mentioned therein. The Report should not be copied or reproduced without obtaining our prior written approval for any purpose other than the purpose for which it is prepared. In no event, regardless of whether consent has been provided, shall SSPA assume any responsibility to any third party to whom the report is disclosed or otherwise made available.
- 5.11. SSPA nor its partners, managers, employees make any representation or warranty, express or implied, as to the accuracy, reasonableness or completeness of the information, based on which the valuation is carried out. All such parties expressly disclaim any and all liability for, or based on or relating to any such information contained in the valuation.

## 6. BASIS FOR DETERMINATION OF FAIR EQUITY SHARE EXCHANGE RATIO

- 6.1. WPL as on the date of this report holds 11,04,49,818 equity shares of face value of INR 5 each fully paid-up of WCL. Further, WPL may before the effective date, acquire additional equity shares of face value of INR 5 each fully paid-up of WCL (including by way of purchases on floor of Stock Exchanges) without incurring any additional liability. Upon the effective date, pursuant to amalgamation of WPL with WCL, the entire shareholding of WPL in WCL will be cancelled and the shareholders of WPL would be issued same number of fully paid-up equity shares of WCL, which they own indirectly





through their holding in WPL on the effective date. Pursuant to the amalgamation, there would be no change in the paid-up share capital of WCL. As mentioned above, post-amalgamation the shareholders of WPL will hold the same number of shares as WPL holds in WCL. Consequently, there is no impact on the shareholding pattern of other shareholders of WCL and therefore no valuation of WCL and of WPL is required.

- 6.2. Upon the amalgamation becoming effective, there is no additional consideration being discharged under the amalgamation except same number of shares of WCL being issued to the shareholders of WPL in lieu of shares held by WPL in WCL (which will get cancelled). Thus, for every fresh issue of share of WCL to the shareholders of WPL, there is a corresponding cancellation of an existing WCL share as held by WPL. Also, there would be no change in the aggregate promoters' shareholding in WCL and it shall not affect the interest of other shareholders of WCL.

Accordingly, valuation approaches as indicated in the format as prescribed by circular number NSE/CML/2017/12 of NSE and LIST/COMP/02/2017-18 of BSE have not been undertaken as they are not relevant in the instant case.

- 6.3. The management / shareholders of WPL have given an undertaking that the cash/bank balance in the books of WPL immediately prior to effective date will be utilised to meet the costs, fees, charges, taxes including duties, levies and all other expenses (including stamp duties payable on issue of new shares) in relation to the proposed amalgamation. Further in the event WPL is unable to bear any such expenses due to lack of sufficient funds (including cash/bank balance and liquid investment) in WPL, the shareholders of WPL will bear such expenses. Thus, WCL will not bear any expenses pursuant to the amalgamation.
- 6.4. Further, we understand that the shareholders of WPL shall indemnify and hold harmless WCL for losses, liabilities, costs, charges, expenses (whether or not resulting from third party claims), including those paid or suffered pursuant to any actions, proceedings, claims and including interests and penalties discharged by WCL which may devolve on WCL on account of proposed amalgamation of WPL with WCL but would not have been payable by WCL otherwise, in the form and manner as may be agreed amongst WCL and the shareholder of WPL. Thus, WCL will not bear any loss, liabilities, cost, charges and expenses due to any such disputes or litigations pursuant to the amalgamation.



**7. CONCLUSION - RECOMMENDATION OF FAIR EQUITY SHARE EXCHANGE RATIO**

7.1. Based on above in the event of amalgamation of WPL with WCL, we recommend a fair equity share exchange ratio as follows:

**11,04,49,818 fully paid-up equity shares (face value of INR 5 each) of WCL to be issued and allotted to shareholders of WPL in proportion of the number of equity shares held by the shareholders of WPL in WPL.**

In case WPL acquires additional equity shares of face value of INR 5 each fully paid-up of WCL before the effective date without incurring any additional liability, such additional number of equity shares of face value of INR 5 each fully paid-up of WCL shall also be issued and allotted to the shareholders of WPL in proportion of the number of equity shares held by the shareholders of WPL in WPL.

7.2. We believe that the above ratio is fair and equitable considering that all the shareholders of WPL are and will, upon amalgamation, remain ultimate beneficial owners of WCL in the same ratio (inter-se) as they hold shares of WCL through WPL prior to the amalgamation and that as mentioned hereinabove the interest of other shareholders in WCL remains unaffected.

Thanking you,  
Yours faithfully,

*SSPA & CO.*



**SSPA & CO.**  
**Chartered Accountants**  
Firm registration number: 128851W



Signed by **Sujal Shah, Partner**  
Membership No. 045816

Place: Mumbai