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**Ref: MCML/IEEPL-FO/17-18/3**
**Date: 16th June, 2017**

To,
The Board of Directors
Indsil Energy and Electrochemicals Pvt. Limited
"Indsil House"
T.V.Samy Road (West)
R.S.Puram
Coimbatore 641 002

&

The Board of Directors
Indsil Hydro Power and Manganese Limited
"Indsil House"
T.V.Samy Road (West)
R.S.Puram
Coimbatore 641 002

Dear Sir/Madam,

**Ref: Fairness Opinion Report on Valuation of Shares of Indsil Energy and Electrochemicals Pvt. Limited (IEEPL) and Indsil Hydro Power and Manganese Limited (IHPML) with regard to the proposed merger of the two companies.**

## 1. BACKGROUND INFORMATION

This has reference to the request made by the Management of Indsil Energy and Electrochemicals Pvt. Limited (IEEPL) and Indsil Hydro Power and Manganese Limited (IHPML), seeking a Fairness Opinion on the share swap ratio recommended by M/s Doogar & Associates (hereinafter referred to as "the Independent Valuers") for the proposed merger of the two companies under Section 230 to 232 of the Companies Act of 2013.

**Mefcom Capital Markets Limited**, a SEBI Registered Merchant Banker ("MCML"), has been entrusted to give the Fairness Opinion in terms of Section 230 to 232 of the Companies Act 2013 on the valuation of the equity shares of the Companies by the management of IEEPL and IHMPL for determining the share exchange ratio.

## 2. PURPOSE OF VALUATION

2.1 We have been informed that the Board of Directors of the companies' viz. IEEPL and IHPML have considered and/or are going to consider and approve a proposal to amalgamate Indsil Energy in consideration of issue and allotment of shares in Indsil Hydro pursuant to scheme of amalgamation between Indsil Hydro and Indsil Energy and their respective shareholders.

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2.2 In this regard, M/s. Doogar & Associates (Chartered Accountants) was appointed to carry out an independent valuation with a view to recommend a share swap ratio for the event of amalgamation between Indsil Hydro and Indsil Energy.

2.3 The information contained in our report is confidential and is intended to be used solely for the purpose of obtaining requisite approvals as per the Listing Agreement with the Stock Exchanges.

## 3. SOURCES OF INFORMATION:

For the purposes of fairness opinion, we have relied upon the following sources of information:

(a) Valuation Report dated June 16, 2017 issued by M/s Doogar & Associates (Chartered Accountants);

(b) Valuation Workings of M/s Doogar & Associates (Chartered Accountants);

(c) Financial Statements comprising of Balance Sheet, Profit & Loss Statement and Cash Flow Statement for financial years ended 2015 to 2017 as well as Projected Financial Statements of the Indsil Hydro and Indsil Energy from 1 April 2017 onwards, with key financial assumptions;

(d) Other such information and explanations as were required and which have been provided by the Chartered Accountants.

## 4. EXCLUSIONS AND LIMITATIONS

4.1 For the purpose of our fairness opinion, we have essentially relied on the information provided to us by the Management of IEEPL and IHPML and Valuation report dated June 16, 2017 provided by the Valuer and other than reviewing the consistency of such information, we have not sought to carry out an independent verification, thereof.

4.2 The scope of work has been limited and does not enable us to accept responsibility for the following:

- Accuracy and completeness of the information provided by the Independent Valuer.
- Accuracy of any financial or analytical information used by the Independent Valuer during the course of work.
- Any changes in the information used for any reason, which may occur subsequent to the date of our certificate.

4.3 This Fairness Opinion is prepared for the limited purpose and scope as identified and stated earlier and to comply with SEBI (LODR). The information mentioned herein is confidential and must not be copied, disclosed or circulated in any correspondence or discussions with any person, except to persons to whom it is issued and to those persons who are involved in this

transaction or for the purposes of obtaining approvals for the proposed amalagamation.

4.4 Our Opinion is not, nor should it be construed as our opining or certifying that the proposed amalgamation of IEEPL and IHPML is in compliance with the provisions of any law or regulation.

4.5 Valuation is not a precise science and the conclusions arrived at in many cases will of necessity be subjective and dependent on the exercise of judgment. There can therefore be no standard formulae to establish an indisputable value, although certain formulae are helpful in assessing reasonableness.

## 5. APPROACHES TO VALUATION

For the purpose of ascertaining the reasonableness of these valuations, various quantitative factors have been considered based on the financial details of the respective Companies. We use to adopt various methodologies such as Net Assets Value Method, Price to Book Value Multiple Method (P/BV Multiple) Price Earning Capacity Value Method (PECV) and Earnings per Share (EPS).

*In calculation of per share value for IEEPL and IHPML the following methods have been adopted:-*

(a) the "Net Asset Value method"
(b) the "Market Price method"; and
(c) the "Discounted Cash Flow Method"

***CONCLUSION:***

***As per our understanding and on the basis of valuation done by the independent Valuer, we hereby opine that the share swap ratio for the proposed Amalgamation of the two companies i.e IEEPL and IHPML is fair and reasonable, as recommended by M/s Doogar & Associates (Chartered Accountants), which is as under:***

***Forty nine (49) Equity Shares of Rs.10/- each in IHPML as fully paid up for every 100 Equity Share of Rs.2/- each fully paid-up held by the said members of IEEPL in the capital of the company.***

***The share swap ratio is being arrived in compliance with the SEBI circular dated 10th March, 2017 and SEBI (ICDR) Regulations, 2009.***

## 6. LIMITATION OF LIABILITY

In no event shall we be liable for any loss, damage, cost or expense arising in any way from fraudulent acts, misrepresentations or willful default on the part of the Companies under consideration, their Directors, employees or agents.

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Our Opinion is not and does not purport to be an appraisal or otherwise reflective of the prices at which any business or securities actually could be ideally bought or sold by any party and are not indicative of actual values or actual future results that might be achieved, which value may be higher or lower than those indicative.

In no circumstances shall the liability of MCML, its Directors or employees, relating to services provided in connection with the engagement set out in this report (or valuation or addition thereto) exceed the amount paid to us in respect of the fees charged for these services.

We will receive a fee for our services in connection with the delivery of this Opinion from IHPML. In addition management of both the companies have agreed to indemnify us for certain potential liabilities arising out of our engagement.

**Disclaimer Clause**

We, hereby, declare that we have no direct or indirect interest in the Companies/ assets valued.

Yours' faithfully,

**For Mefcom Capital Markets Ltd.**

(Anand Srivastava)
Executive Director