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To,
The Board of Directors,
Prakash Industries Limited
15 Km Stone Delhi Road,
Hissar - 125 044 (Haryana)

Dated - 24th August, 2017

Sub: Opinion on the share entitlement ratio on the proposed scheme of arrangement for demerger of PVC Pipes Undertaking of Prakash Industries Limited and subsequent amalgamation with its wholly owned subsidiary, Prakash Pipes Limited.

Dear Members of the Board:

We understand that Board of Directors of Prakash Industries Limited (here in after referred as Demerged Company/ PIL) is considering scheme of arrangement for demerger of PVC Pipes Undertaking of the Company w.e.f. Appointed Date i.e. April 1, 2018 through a scheme of arrangement ('Scheme') under section 230 - 232 read with section 66 and other applicable provisions of the Companies Act, 2013.

The scheme of arrangement provides for -

- Demerger of PVC Pipes Undertaking (Demerged Undertaking) of the Demerged Company into its wholly owned subsidiary, Prakash Pipes Limited (here in after referred as Resulting Company/ PPL), on a going concern basis, and
- Issuance of equity shares by the Resulting Company to the shareholders of Prakash Pipes Limited in the ratio as provided in clause 12 of the scheme, as per the terms and conditions more fully set forth in the draft scheme of arrangement. The shares issued and allotted by Resulting Company shall be listed at BSE Limited (BSE) and National Stock Exchange of India Limited (NSE), the Stock Exchanges, where the shares of Demerged Company are presently listed.
- Cancellation of shares held by the Demerged Company in the Resulting Company. Accordingly post demerger there would be mirror image proportionate shareholding of Demerged Company and Resulting Company i.e. economic interest of shareholders shall remain intact and in the same ratio.
- The Demerged Company has issued Foreign Currency Convertible Bonds (FCCBs). As per the scheme, all the FCCB holders, that exercise the option of conversion of FCCBs into equity shares post record date (as defined in scheme), shall also be issued equity shares by PPL in the ratio as provided in clause 12 of the Scheme, which shall be listed at BSE and NSE.

FINSHORE MANAGEMENT SERVICES LIMITED
(CIN : U74900WB2011PLC169377)

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The share entitlement ratio for the proposed scheme of arrangement for demerger has been determined by M/s Price Waterhouse & Co LLP, Chartered Accountants; vide their valuation report dated August 24, 2017.

In terms of Regulation 37 of SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015 (LODR Regulations) read with SEBI Circular No. CFD/ DIL3/CIR/ 2017/21 dated March 10, 2017, the listed companies undertaking a scheme of arrangement is required to submit to stock exchange, copy of fairness opinion obtained from the Merchant Banker on the valuation of shares / assets of the companies done by the independent valuer.

With reference to above, we Finshore Management Services Limited, a SEBI Registered (Cat-I) Merchant Banker have been appointed by the demerged company to provide our fairness opinion on the same.

Brief Background of the Companies, our opinion and basis for forming an opinion and caveats is as hereunder -

1. Background of companies:

1.1. Prakash Industries Limited (Demerged Company)

Prakash Industries Limited is a public limited company incorporated under the provisions of Companies Act, 1956 on July 31, 1980 bearing Corporate Identification Number L27109HR1980PLC010724. The Registered Office of PIL is situated at 15 Km Stone Delhi Road, Hissar – 125044 (Haryana). The equity shares of PIL are listed on BSE and NSE. The Foreign Currency Convertible Bonds of the Company are listed on Singapore Exchange Securities Trading Limited.

PIL is primarily engaged in the following businesses:

- a) Steel;
- b) Power; and
- c) PVC pipes

1.2. Prakash Pipes Limited (Resulting Company)

Prakash Pipes Limited is a public limited company incorporated under the provisions of the Companies Act, 2013 on June 29, 2017 bearing Corporate Identification Number U25209PB2017PLC046660. The registered office of PPL is situated at Darjiyan Wali Gali, Rayya Teh-Baba Bakala, Amritsar-143112 (Punjab). The equity shares of PPL are not listed on any stock exchange.

PIL is the holding company of PPL. As on the date of filing of the Scheme, PIL along with its nominees holds 100% equity share capital of PPL.

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2. Basis of our opinion

2.1. Rationale of the draft scheme of arrangement (as per extract of draft scheme dated August 24, 2017)

The arrangement is aimed at demerger of "PVC pipes undertaking" of PIL into PPL to segregate the said business. The transfer and vesting by way of a demerger shall achieve the following benefits for PIL and PPL:

- a) The PVC pipes undertaking carried on by PIL has significant potential for growth. The nature of risk, competition, challenges, opportunities and business methods for the PVC pipes undertaking is separate and distinct from the other businesses of the Company. The PVC pipes undertaking would become capable of attracting a different set of investors, strategic partners, lenders and other stakeholders.
- b) PIL as well as PPL would have its own management teams, Board of Directors, who can chart out their own independent strategies to maximize value creation for their respective stakeholders. Demerger shall enable enhanced focus to the operations of the PVC pipes undertaking by PPL and the remaining business by PIL.
- c) The demerger will permit increased focus by PIL and PPL on their respective businesses in order to better meet their respective customers' needs and priorities, develop their own network of alliances and talent models that are critical to success.

There is no adverse effect of Scheme on any directors, key management personnel, promoters, non-promoter members, creditors and employees of PPL. The Scheme would be in the best interest of all stakeholders in PIL.

The transfer and vesting of the PVC pipes undertaking (hereinafter defined) into PPL would be in the best interests of the shareholders, creditors and employees of PIL and PPL, respectively, as it would result in enhanced value for the shareholders and allow focused strategy in operation of the PVC pipes undertaking and the remaining business of the PIL. Pursuant to this Scheme all the shareholders of the PIL will get shares in PPL and there would be no change in the economic interest for any of the shareholders of PIL pre and post implementation of the Scheme. Holders of FCCB of PIL shall be eligible to receive shares of PPL upon conversion of FCCB subject to and in accordance with the Scheme.

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2.2. Sources of Information

- i) Draft scheme of arrangement.
- ii) Share Entitlement Ratio report dated August 24, 2017, issued by Price Waterhouse & Co LLP, Chartered Accountants.
- iii) Audited Balance Sheet and Income Statement of the Demerged Company for the financial year ended March 31, 2017.

2.3. Valuers Analysis

Clause 4 of share entitlement ratio report provides that ratio of allotment for shares in PPL, shall be as follows -

1 (one) fully paid up equity share having face value of INR 10/- each of the Resulting Company for 8 (eight) fully paid up equity share of INR 10/- each in PIL

3. Conclusion and Our Opinion

- 3.1. With reference to above and based on information provided by the KMP's and after discussions with the Valuers, we understand that the present scheme of arrangement has been structured to enable PVC Pipes Undertaking to capitalize on growth opportunities and unlock the potential value of each business of the Demerged Company. Pursuant to scheme of arrangement the shares of the Resulting Company shall be listed on the same stock exchanges on which the shares of the Demerged company are listed.
- 3.2. We also understand that, the proposed cancellation and reduction of share capital of the Resulting Company to the extent held by the Demerged Company, should result in creation of mirror image proportionate shareholding of the Resulting Company as that of Demerged Company (i.e. economic interest of both companies shall remain intact in the hands of common shareholders and in the same ratio.) Thus, the interest of shareholders remains unaffected post demerger.
- 3.3. Further, in regards to FCCBs the scheme rightly provides that Resulting Company shall issue its equity shares to all the FCCB holders who exercise the option of conversion of FCCBs into equity shares post Record Date, in accordance with the share entitlement ratio as provided in clause 12 of the scheme. The equity shares allotted by the resulting company post conversion of FCCBs shall be listed at the Stock Exchanges.



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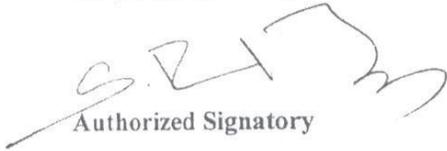


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"Considering above and subject to our caveats as provided in annexure, we as a Merchant Banker hereby certify that we have reviewed the share entitlement ratio report for the proposed scheme of arrangement for demerger of PVC Pipes Undertaking of Prakash Industries Limited and subsequent merger with its wholly owned subsidiary Prakash Pipes Limited and are of the opinion that share entitlement ratio of 1 (one) equity shares of face value of INR 10 (Rupees Ten) each at par in Resulting Company for every 8 (eight) equity shares of face value of INR 10 (Rupees Ten) held in demerged company, as fair and reasonable to the equity shareholders of Prakash Industries Limited."

Thanking You,

For Finshore Management Services Limited


Authorized Signatory



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Annexure

Caveats

1. Our opinion and analysis is limited to the extent of review of documents as provided to us by the KMP's of Prakash Industries Limited including the share entitlement ratio report prepared by Price Waterhouse & Co LLP, Chartered Accountants and draft scheme of arrangement for demerger. We have relied on accuracy and completeness of all the information and explanations provided by the KMP's. We have not carried out any due diligence or independent verification or validation to establish its accuracy or sufficiency. We have not conducted any independent valuation or appraisal of any of the assets or liabilities of demerged company/ resulting company or their subsidiaries, if any.
2. 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 Report, which might be relevant in the context of the transaction and which a wider scope might uncover.
3. We have no present or planned future interest in Prakash Industries Limited / Prakash Pipes Limited and the fee payable for this opinion is not contingent upon the opinion reported herein. The company has been provided with an opportunity to review the draft opinion as a part of our standard practice to make sure that factual accuracy / omissions are avoided in our final opinion.
4. Our fairness opinion is not intended to and does not constitute a recommendation to any shareholders as to how such holder should vote or act in connection with the scheme or any matter related thereto.
5. The Opinion contained herein is not intended to represent at any time other than the date that is specifically stated in this Report. This opinion is issued on the understanding that the KMP's of Prakash Industries Limited has 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 Report.
6. Our report should not be construed as an opinion or certificate certifying the compliance of the proposed scheme of demerger with the provisions of any law including Companies Act, 2013, Income Tax Act, 1961 and capital market related laws or as regards any legal implication or issues arising from proposed demerger.



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