SPA
THE FINANCIAL ADVISORS
www.spacapital.com

SPA Capital Advisors Ltd.
CIN: U99999DL1999PLC102626
25, C-Block Community Centre
Janak Puri, New Delhi-110 058
Tel. : 011-25517371, 25515088
Fax : 011-25532644
Email : info@spacapital.com

Submitted to

Mukand Engineers Ltd.

FAIRNESS OPINION

On Share Exchange Valuation report provided by

SHARP & TANNAN
(Chartered Accountants)

On

Share Exchange Ratio under Proposed Scheme of Merger.

MUKAND ENGINEERS Ltd.

Into

MUKAND Ltd.

BY

M/s SPA CAPITAL ADVISORS LTD.

25, C-Block, Community Centre,

Janak Puri, New Delhi.

Tel: 011-45675585/011-45675558

***Fax:* 25572763**

Website: www.spacapital.com

*"Everything we hear is an **opinion**, not a fact. Everything we see is a perspective, not the truth."*

July 14, 2018

To,

Mukand Engineers Ltd.
Bajaj Bhawan, Jamnalal Bajaj Marg,
3rd Floor, 226, Nariman Point, Mumbai,
Maharashtra 400 021

RE: Fairness Opinion on Share Exchange Ratio Valuation Report provided by SHARP & TANNAN (Chartered Accountants) under proposed scheme of Merger of Mukand Engineers Ltd. into Mukand Ltd.

PURPOSE

We SPA Capital Advisors Limited (hereinafter referred to as "SPA"), understand that Mukand Engineers Limited (hereinafter referred to as "MEL") having its registered office at Bajaj Bhawan, Jamnalal Bajaj Marg, 3rd Floor, 226, Nariman Point, Mumbai, Maharashtra 400 021 is in process of proposed merger with Mukand Limited (hereinafter referred to as "ML") having its registered office at Bajaj Bhawan (Third floor), 226,Nariman Point , Mumbai 400 021 , under Section 232 of the Companies Act, 2013 and this is with reference to our engagement letter dated 14th may 2018 wherein we have been engaged to give Fairness Opinion on share exchange ratio valuation report provided by SHARP & TANNAN, Chartered Accountants (hereinafter referred to as "S&T" or the "Valuer") for the proposed scheme of arrangement.

The fairness opinion report is required to be submitted to the stock exchanges to facilitate the Companies with Regulation 11, Regulation 37 & Regulation 94 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with **SEBI Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017.**

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BACKGROUND

MUKAND Ltd. (ML):

ML, a Company incorporated under the provisions of the Companies Act, 1913 and has its registered office at Bajaj Bhawan (Third floor), 226,Nariman Point , Mumbai 400 021.

ML is a multi division, multi product conglomerate involved in the manufacture of specialty steel long products and heavy machinery.

With manufacturing facilities in Thane, Maharashtra and Hospet, Karnataka, ML produces over 400 grades of specially engineered steel to suit stringent customer requirements in sizes ranging from 5 mm to 160mm in the form of bars, bright bars, wire rods and wires.

ML's alloy steel is widely used in the automobile and auto component industry for products such as fasteners, bearing transmissions, crankshaft, steering components, suspension springs, fuel injection equipment, including common rail diesel injection systems, braking systems, drive axle mainly velocity joints, seamless tubes etc..

The subscribed & paid up equity share capital of ML as at March 31, 2018 was INR 141.41 Crs. divided into 14,14,05,861 equity shares of INR 10/- each (face value). The Shareholding pattern of ML as on March 31, 2018 is as hereafter:

Sl. No.	Names of the Shareholder	No. of Shares	% holding
1.	Promoter & Promoter Group	10,33,94,145	73.12%
2.	Public	3,80,11,716	26.88%
	Total	**14,14,05,861**	**100.00%**

The subscribed & paid up 0.01% Cumulative Preference share capital of ML as at March 31, 2018 was INR 5.63 Crs. divided into 56,26,320 preference shares of INR 10/- each

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(face value). We have been given to understand that there has not been any changes in share capital of ML after 31st March, 2018.

Mukand Engineers Ltd. (MEL):

MEL, a Company incorporated under the provisions of the Act and has its registered office at: Bajaj Bhawan, Jamnalal Bajaj Marg, 3rd Floor, 226, Nariman Point, Mumbai, Maharashtra 400 021

MEL, a public limited company is an associate company of ML. The company was formerly a division of ML Over the last four decades the company built expertise in wide areas of project construction covering civil, structural, mechanical, piping, and electrical and instrumentation works. Employing more than 200 engineers, the company has undertaken several challenging and prestigious projects across many industries in India and is today known for its skill and reliability in delivering quality services. The company is equipped with a whole range of construction machinery including mobile cranes, gantry cranes, welding machines, concrete batching plants, transit mixers, and electrical test and measuring instruments.

Today the company can offer services in areas of engineering construction including feasibility studies, planning, procurement, construction, erection and commissioning of projects across industries such as petro chemicals, oil exploration and refineries, fertilizers, steel plants, aluminium plants, thermal and nuclear plants.

The subscribed & paid up equity share capital of MEL as at March 31, 2018 was INR 12.57 Crs divided into 1,25,72,400 equity shares of INR 10/- each (face value). The Shareholding pattern of MEL as on March 31, 2018 is as follows:

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Sl. No.	Names of the Shareholder	No. of Shares	% holding
1.	Promoter & Promoter Group	66,64,933	53.01%
2.	Public	59,07,467	46.99%
Total		**1,25,72,400**	**100.00%**

We have been given to understand that there has not been any changes in share capital of MEL after 31st March, 2018.

As on date hereof, as given to understand, MEL holds 0.48% equity shares of ML and 0.93% preference shares of ML.

TRANSACTION

We understand that this transaction involves merger of MEL into ML under the Scheme of Merger pursuant to Sections 232 of the Companies Act, 2013.

SPA has not undertaken the valuation of the company. The valuation exercise for the transaction has been done by the valuer. We have not independently checked or verified the assumptions made by the valuer. We have reviewed the historical financial and business information of the company and other relevant information from publicly available sources and have taken in to account such other matters as we deemed necessary including our assessment of general economic, market and monetary conditions.

PURPOSE OF FAIRNESS OPINION REPORT

No. CFD/DIL3/CIR/2017/21 dated March 10, 2017, the companies going through any arrangement/ amalgamation/ merger/ reconstruction/ reduction of capital, etc. are required to obtain a "fairness opinion" from an Independent Merchant Banker relating to the valuation of assets/ shares done by the Valuer.

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INFORMATION RELIED UPON

We have prepared the Fairness Opinion Report on the basis of the information provided to us and inter-alia the following:

- Valuation Report dated 14th July. 2018 issued by Valuer:
- Information relied upon by Valuer
- Other information and explanations as provided by the management of MEL and Valuer and their respective representatives and advisors

Further we had discussions with the valuer on such matters which we believe are necessary or appropriate for the purpose of issuing the Fairness Opinion Report.

We assume no responsibility for the legal, tax, accounting or structuring matters including, but not limited to, legal or title concerns. Title to all subject business assets is assumed to be good and marketable and we would urge the company to carry out the independent assessment of the same prior to entering into any transaction, after giving due weightage to the results of such assessment.

We have been informed that all information relevant for the purpose of issuing the fairness opinion report has been disclosed to us and we are not aware of any material information that has been omitted or that remains undisclosed.

VALUATION APPROACHES USED BY VALUER

As mentioned by Valuer in their valuation repot and as informed by them, they have used all three approaches of valuation i.e.

- Asset Approach
- Income Approach
- Market Approach

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Under Asset Approach they used the replacement cost method as prescribed ICAI in their valuation standards.

Under Income Approach they used Discounted Cash Flow Method by using projections to them by management of MEL and ML

Under Market Approach, as both MEL and ML are frequently traded on recognized stock exchange, so valuer considered their traded price over an appropriate period of time.

Post that Appropriate weightage has been applied to each of the above mentioned methods to arrive at the Weighted Average Equity Value of MEL and ML.

VALUATION SUMMARY

Valuation Approach	ML		MEL	
	Price/share (INR)	Wgt (%)	Price/share (INR)	Wgt (%)
Cost Approach	132.18	20%	28.16	20%
Income Approach	111.87	40%	41.10	40%
Market Approach	74.94	40%	41.66	40%
		100.0%		100.0%
Wgt Avg. Price/ share	**101.16**		**38.74**	
Share Swap Ratio	**1 : 2.61**			
Share Swap Ratio (rounded off)	**1 : 2.60 or 5 : 13**			

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SHARE EXCHANGE RATIO RECOMMENDED BY VALUER

Basis Valuation summary shared above, valuer recommended share exchange ratio for proposed merger of MEL with ML of:

"5 equity shares of ML of INR 10/- each fully paid up for every 13 equity share of MEL of INR 10/- each fully paid up"

CONCLUSION

On the basis of and subject to the foregoing, to the best of our knowledge and belief, it is our view that, as of the date hereof, **the share exchange ratio as recommended by the valuer in relation to the transaction is Fair to Mukand Engineering Ltd.'s Shareholders, from a financial point of view**.

For SPA Capital Advisors Limited

(Sourabh Garg)

Sr. Vice President

SPA Capital Advisors Limited New Delhi

(Khushboo Tanwar)

Asst. Vice President

Disclaimer: *The Final Report has been prepared for the internal and exclusive use of the Board of Directors of MEL (the "Board of Directors"). Therefore, the Final Report may not be disclosed, in whole or in part, to any third party or used for any purpose whatsoever other than those indicated in the Engagement and in the Final Report itself, provided that the Final Report may be transmitted to the experts appointed in compliance with the law and its content may be disclosed publicly where required by regulations of the Indian authorities. Any other use, in whole or in part, of the Final Report will have to be previously agreed and authorized in writing by SPA Capital Advisors Limited (SPA). In preparing the Final Report, SPA has relied upon and assumed, without independent verification, the truthfulness, accuracy and completeness of the information and the financial data provided by MEL and valuer. SPA has therefore relied upon all specific information as received and declines any responsibility should the results presented be affected by the lack of completeness or truthfulness of such information. Publicly available information deemed relevant for the purpose of the analyses contained in the Final Report has also been used. Therefore the Final Report is based on: (i) our interpretation of the information which MEL and valuer, as well as their representatives and advisers, have supplied to us to date; (ii) our understanding of the terms upon which MEL intends to consummate the Transaction. We have not conducted any evaluation of the solvency or fair value of the company, under any laws relating to bankruptcy, insolvency or similar matters. In addition we have not assumed any obligation to conduct any physical inspection of the properties or facilities of MEL and ML. In addition, this fairness report does not address the fairness to, or any other consideration of, the holders of any class of securities, creditors or other constituencies of MEL & ML. The Final Report and the Opinion concern exclusively for the purpose of proposed amalgamation and do not constitute an opinion by SPA as to the absolute value of the shares of MEL & ML. We don't accept any liability to any third party in relation to the issuance of this Fairness Opinion Report. SPA has not carried out any due diligence independently in verifying the accuracy or veracity of data provided by MEL and /or the Valuer and SPA assumes no liability for the accuracy, authenticity, completeness or fairness of the data provided by MEL and/or valuer. SPA has assumed that the business continues normally without any disruptions. Neither SPA and its affiliates, nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue, or lost profits that may arise from or in connection with the use of this document. Future services regarding this subject matter of this report, including, but not limited to testimony or attendance in court, shall not be required of SPA or any of its employees unless previous arrangements have been made in writing.*

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The Final Report and the Opinion are necessarily based on economic, market and other conditions as of the date hereof, and the written and oral information made available to us. It is understood that subsequent developments may affect the conclusions of the Final Report and of the Opinion and that, in addition, SPA has no obligation to update, revise, or reaffirm the Opinion. In addition, SPA is expressing no opinion as to the price at which any securities of ML & MEL will trade on the stock market at any time. Other factors after the date hereof may affect the value of the businesses of ML & MEL or its business units. It is understood that SPA or certain SPA affiliates, in the ordinary course of their activities, may actively trade, for their own account or for the account of customers, the equity and debt securities of ML & MEL or companies directly or indirectly controlled by, affiliated with ML & MEL or in ML & MEL holds securities, and, accordingly, may at any time hold long or short positions in such securities. It also remains understood that SPA or certain SPA affiliates may currently have and may in the future have commercial banking, investment banking, trust and other relationships and/or engagements with Counterparties which may have interests with respect to ML & MEL, or companies directly or indirectly controlled by, affiliated with ML & MEL or in which ML & MEL holds securities. Finally, it remains understood that SPA or certain SPA affiliates may have fiduciary or other relationships and engagements whereby SPA or certain SPA affiliates may exercise voting power over securities of various persons, which securities may from time to time include securities of ML & MEL or companies directly or indirectly controlled by, affiliated with ML & MEL, or in which ML & MEL holds securities, or other parties with an interest in the Transaction.

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