



# FAIRNESS OPINION REPORT

On

the Scheme of Arrangement

between

**Dhunseri Petrochem & Tea Limited**

and

**Dhunseri Services Limited**

and

**Dhanurveda Infrastructure Private Limited**

and

their respective shareholders

## MERCHANT BANKERS' REPORT

January 28, 2014

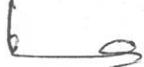
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For Dhunseri Petrochem & Tea Ltd.

**Microsec Capital Limited**

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K.V. Balan  
Company Secretary  
& Compliance Officer

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## 1. INTRODUCTION

Dhunseri Petrochem & Tea Limited ("DPTL"/"the Company") is a well established business house presently engaged in and having interests in diversified businesses directly and through its subsidiaries. The equity shares of DPTL are listed on the BSE Limited and National Stock Exchange of India Limited.

DPTL's main businesses comprise of:

1. Manufacturing of Bottle Grade PET Resin (hereinafter referred to as Petrochemical Division).
2. Cultivation and production of tea (hereinafter referred to as Tea Division).
3. Development of infrastructure facilities in the Information Technology/Information Technology Enabled Services (IT/ITES) Special Economic Zone at Bantala in 24 Parganas (South), West Bengal (hereinafter referred to as IT SEZ Division).

DPTL has manufacturing facility of Bottle Grade PET Resin at Haldia in the State of West Bengal. DPTL also holds 70% of the total equity capital of Egyptian India Polyester Company S.A.E., a company which has undertaken a greenfield plant in Egypt for production of PET Resin.

The tea business of DPTL is well established in India with premium gardens in the State of Assam and is sold under two brands, 'Lal Ghora' and 'Kala Ghora'. DPTL through its Singapore subsidiary, namely Dhunseri Petrochem & Tea Pte Limited, is holding controlling interest in Makandi Tea and Coffee Estates Limited and Kawajazi Estate Company Limited, two companies having large tea plantations in Malawi in South Africa.

DPTL has also undertaken a project for development of infrastructure facilities in the IT/ITES Special Economic Zone at Bantala in 24 Parganas (South), West Bengal, as a Co-Developer within the meaning of the Special Economic Zones Act, 2005.

The present day nature and size of the aforesaid three businesses of DPTL are such that the divergent considerations, factors, financials, risks and rewards applicable to the running, growth and development of such businesses are required to be addressed with greater focus at all levels. Such divergent natures of the said businesses are also such that they are required to be evaluated and looked upon separately. The said businesses have good potential for funding, running, growth and development thereof as independent businesses.

Accordingly, the management of DPTL with strategic intent of restructuring and development of each of the businesses, intends to demerge its 'Tea Division' to a separate company i.e. Dhunseri Services Limited (DSL) as a going concern in accordance with the provisions of Section 2(19AA) of the Income Tax Act, 1961, and 'IT SEZ Division' to be reorganised by transfer, at net asset value, to Dhanurveda Infrastructure Private Limited (DIPL) with effect from appointed date April 1, 2014. Post demerger and reorganisation, DPTL will continue with the Petrochemical Division.

The demerger is proposed to be carried out through a Scheme of Demerger under Sections 391 to 394 of the Companies Act, 1956, and the reorganization by transfer is proposed to



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be carried out through a Scheme of reorganization under Section 394 of the Companies Act, 1956.

Through the proposed Scheme of Arrangement under Sections 391 to 394 of the Companies Act, 1956, the Tea Division of DPTL would be demerged to DSL and the IT SEZ Division of DPTL would be transferred to DIPL. In consideration of demerger, DSL would issue and allot shares to the shareholders of DPTL, and the consideration for reorganization by transfer will be discharged by DIPL partly by issue and allotment of shares to DPTL and partly by payment in cash. After demerger, the shares of the DSL will be listed on the same stock exchanges on which shares of DPTL are listed. Further, post reorganization by transfer, DIPL would become a wholly owned subsidiary of the DPTL and the shares of DIPL will not be listed on any exchange.

“Tea Division” means the entire undertaking of DPTL constituted in the business of cultivation, production and marketing of tea and all properties, assets, rights and powers and all debts, liabilities, duties and obligations of DPTL comprised in and/or pertaining to the said Tea Division and more specifically defined in the Scheme of Arrangement.

“IT SEZ Division” means the entire undertaking of DPTL constituted in the business of development of infrastructure facilities in the Information Technology/Information Technology Enabled Services (IT/ITES) Special Economic Zone at Bantala in 24 Parganas (South), West Bengal, and all properties, assets, rights and powers and all debts, liabilities, duties and obligations of DPTL comprised in and/or pertaining to the said IT SEZ Division and more specifically defined in the Scheme of Arrangement.

The entitlement ratio for the demerger of Tea Division and consideration for reorganization by transfer of IT SEZ Division has been decided based on the report prepared by D. K. Chhajjer & Co., Chartered Accountants (the “Financial Advisor”).

For the purpose of ascertaining the fairness of the entitlement ratio in case of demerger of Tea Division and the consideration for reorganization by transfer of IT SEZ Division, DPTL has appointed Microsec Capital Limited (“Microsec”) as an Independent Merchant Banker to furnish a fairness opinion on the entitlement ratio for demerger and consideration for transfer recommended by Financial Advisor.

## **2. PURPOSE OF FAIRNESS OPINION**

As per clause 24(h) of the Listing Agreement, 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.

## **3. LEGAL DISCLAIMER**

The Company has requested us to issue a Fairness Opinion Report on the Entitlement Ratio Report given by D. K. Chhajjer & Co., Chartered Accountants, on demerger of Tea Division to DSL and reorganization of IT SEZ Division by its transfer to DIPL. In preparing this Fairness Opinion Report, we have relied upon and assumed, without independent verification, the accuracy and completeness of all information provided to us.

In furnishing this Report, we reserve the right to amend or replace the Report at any time. Our views are necessarily based on economic, market, and other conditions currently in effect, and the information made available to us, as of the date hereof. It should be



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understood that subsequent developments may affect our views and that we do not have any obligation to update, revise, or reaffirm the views expressed in the Report. Nothing contained within the Report is or should be relied upon as a promise or representation as to the future.

The Report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to herein.

Neither the report nor its contents may be referred to or quoted in any registration, statement, prospectus, offering memorandum, annual report, loan agreement or other agreement or document given to third parties, other than in connection with the Proposed Demerger and Proposed Transfer.

#### 4. SOURCES OF INFORMATION RELIED UPON BY US FOR THE FAIRNESS OPINION

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

- Valuation Report issued by D. K. Chhajer & Co., Chartered Accountants;
- Draft Scheme of Arrangement;
- Audited Annual Financial statements of DPTL and DSL for the financial year 2012-13;
- Audited balance sheet and statement of profit and loss of DSL and DIPL as at December 31, 2013.
- Other data collated by us from publicly available sources.

We have also obtained necessary explanations and information, which we believed were relevant to the present exercise, from the executives and representatives of the companies.

#### 5. BRIEF BACKGROUND OF THE COMPANIES UNDER REFERENCE

**Dhunseri Petrochem & Tea Limited** ("DPTL"/"the Company") is a well established business house presently engaged in and having interests in diversified businesses directly and through its subsidiaries. The paid-up capital of the DPTL is Rs.35,03,28,540/-. The equity shares of DPTL are listed on the BSE Limited and National Stock Exchange of India Limited.

DPTL's main businesses comprise of:

1. Manufacturing of Bottle Grade PET Resin.
2. Cultivation and production of tea.
3. Development of infrastructure facilities in the Information Technology/Information Technology Enabled Services (IT/ITES) Special Economic Zone at Bantala in 24 Parganas (South), West Bengal.

**Dhunseri Services Limited (DSL)** is incorporated under the Companies Act, 1956, and having its registered office at 'Dhunseri House', 4A, Woodburn Park, Kolkata - 700020, in the State of West Bengal. The name of DSL is proposed to be changed to 'Dhunseri Tea & Industries Limited'. DSL has a paid-up capital of Rs.5,00,000/-.

**Dhanurveda Infrastructure Private Limited (DIPL)** is incorporated under the Companies Act, 1956, having its registered office at 19/1, Ramkrishna Mandir Path, Near - Tikiapara Rly. Station, Howrah - 711101, in the state of West Bengal. The name of DIPL is proposed

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to be changed to 'Dhunseri Infrastructure Limited'. DIPL has a paid-up capital of Rs.1,00,000/-.

**6. RATIONALE ADOPTED BY THE FINANCIAL ADVISOR FOR ASCERTAINING THE ENTITLEMENT RATIO IN CASE OF DEMERGER AND CONSIDERATION FOR TRANSFER**

The value of Tea Division and IT SEZ Division will be arrived at by considering the assets and liabilities pertaining to the respective divisions as on the Appointed Date i.e. April 1, 2014.

The net asset value of the Tea Division as per the provisional statement of assets and liabilities pertaining to the Tea Division is approximately Rs.287.89 crore as at December 31, 2013. The net asset value of the IT SEZ Division as per the provisional statement of assets and liabilities pertaining to the IT SEZ Division is approximately Rs.45.22 crore as at December 31, 2013. Other than changes in assets and liabilities resulting from carrying on of business in the usual course, the net asset values of the said divisions are not expected to be materially different as at 31st March, 2014.

The right of shareholders of DPTL will not be affected even after demerger of Tea Division and reorganization of IT SEZ Division by its transfer, because the shareholders of DPTL will be allotted shares of DSL in the same proportion of their holding in DPTL and DIPL would become a wholly owned subsidiary of DPTL.

DSL is a relatively new company having small capital of Rs.5,00,000/- and has not undertaken any substantial business. Consequent to the demerger, DSL will issue and allot equity shares to the shareholders of DPTL in the same proportion of their holding in DPTL. The existing share of DSL will be cancelled pursuant to the said Scheme of Demerger.

Further, DIPL is having paid-up capital of Rs.1,00,000/- and has not undertaken any substantial business. Consequent to the reorganization of IT SEZ Division by its transfer, DIPL will partly issue and allot equity shares to DPTL and partly make payment in cash and DIPL would become a wholly owned subsidiary of DPTL.

The demerger of the Tea Division is being done in accordance with the provisions of Section 2(19AA) of the Income Tax Act, 1961. Further, the reorganization of IT SEZ Division of DPTL would be done by its transfer at net asset value.

Since DSL and DIPL do not have substantial business activities and assets, the Financial Advisor has not considered the relative valuation of shares of DSL & DIPL and DPTL.

Further, after the demerger, the shares of the DSL will be listed on the stock exchanges where the existing shares of DPTL are listed.

**7. ENTITLEMENT RATIO IN CASE OF DEMERGER AND CONSIDERATION FOR TRANSFER**

Based on the aforesaid, the Financial Advisor has arrived at the Entitlement Ratio, for Tea Division, of 1(One) : 5 (Five) i.e. the shareholders of Dhunseri Petrochem & Tea Limited will receive 1 (One) equity share of Rs.10/- each of Dhunseri Services Limited credited as fully paid-up for every 5 (Five) equity shares of Rs.10/- each fully paid-up held by them in Dhunseri Petrochem & Tea Limited.

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Further, in consideration for the reorganization of the IT SEZ Division by its transfer, Dhunseri Petrochem & Tea Limited will receive:

- (a) 50,00,000 Equity Shares of Rs.10/- each credited as fully paid-up in DIPL; and
- (b) The balance consideration, being the net asset value (book value of assets less liabilities) of the IT SEZ Division as on the Appointed Date as reduced by the aggregate face value of the shares to be issued and allotted as mentioned at point (a) above, shall be paid in cash by DIPL to DPTL within a period of five years from the Effective Date in terms of the Scheme.

and Dhanurveda Infrastructure Private Limited would become a wholly owned subsidiary of the DTPL.

### 8. OPINION ON ENTITLEMENT RATIO AND CONSIDERATION FOR TRANSFER

Based on the information, material and data made available to us, including the Report of the Financial Advisor and the working thereto, in our opinion the Entitlement Ratio in case of demerger and consideration for the reorganization of the IT SEZ Division by its transfer, recommended by the Financial Advisor are fair and proper.

**For Microsec Capital Limited**

*Manav Goenka*

**Manav Goenka**  
Vice President  
Investment Banking



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For Dhunseri Petrochem & Tea Ltd.

*[Signature]*  
K.V. Balan  
Company Secretary  
& Compliance Officer