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<p>The Board of Directors, Dhunseri Petrochem and Tea Limited "Dhunseri House", 4A, Woodburn Park, <u>Kolkata 700020.</u></p>	<p>The Board of Directors, Dhunseri Services Limited "Dhunseri House", 4A, Woodburn Park, <u>Kolkata 700020.</u></p>	<p>The Board of Directors, Dhanurveda Infrastructure Private Limited 19/1, Ramkrishna Mandir Path, Near Tikiapara Railway Station, Howrah- 711101, West Bengal</p>
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Dear Sirs,

Re: Consideration for demerger of Tea Division of Dhunseri Petrochem and Tea Limited ("DPTL") to Dhunseri Services Limited and Reorganisation of DPTL by transfer of its IT SEZ Division to Dhanurveda Infrastructure Private Limited.

This has reference to our engagement letter and the discussions that we have had with the senior executives and representatives of Dhunseri Petrochem and Tea Limited ("DPTL"), Dhunseri Services Limited ("TeaCo") and Dhanurveda Infrastructure Private Limited ("ITCo") (hereinafter collectively referred to as the "Companies") from time to time in the above matter.

BACKGROUND

DPTL, a listed company, carries on and has interests in various lines of business directly and through its subsidiaries.

DPTL has a Petrochemicals Division which is engaged in the manufacturing of Bottle Grade PET Resin at its plant in Haldia, West Bengal. As part of such division, DPTL also holds a total of 336,000 Equity Shares of USD 100 each constituting 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 4,20,000 MT per annum of PET Resin.

DPTL has a Tea Division which is engaged in tea business with gardens in the State of Assam and tea sold under two brands, 'Lal Ghora' and 'Kala Ghora'. As part of such division, DPTL also holds through its Singapore subsidiary controlling interest in Makandi Tea and Coffee Estates Limited and Kawalazi Estate Company Limited, two companies having large tea plantations in Malawi in South Africa.

DPTL also has an IT SEZ Division in which it has undertaken the business of providing infrastructure facilities in an area of 1.226 hectares in the IT/ITES Special



Economic Zone (SEZ) at Bantala in 24 Parganas (South), West Bengal as a Co-Developer within the meaning of the Special Economic Zones Act, 2005.

The Petrochemicals Division, Tea Division and the IT SEZ Division are hereinafter collectively referred to as the "Divisions".

The present equity share capital of DPTL is Rs. 350,247,540 represented by 35,024,754 equity shares of Rs. 10/- each fully paid up.

TeaCo is an unlisted company and as per its provisional balance sheet as at 31st December 2013 has a nominal asset base. The equity share capital of TeaCo is Rs. 500,000 represented by 50,000 equity shares of Rs. 10/- each fully paid up .

ITCo is also an unlisted company and as per its provisional balance sheet as at 31st December 2013, has a nominal asset base. The equity share capital of ITCo is Rs. 100,000 represented by 10,000 equity shares of Rs. 10/- each fully paid up.

We are instructed that all the aforesaid existing shares of TeaCo and ITCo would be acquired by DPTL upon the approval of the Scheme of Arrangement referred to hereinafter by the respective Board of Directors of the said Companies such that TeaCo and ITCo become wholly owned (100%) subsidiaries of DPTL.

PROPOSED RESTRUCTURING

By a Scheme of Arrangement under Sections 391 to 394 of the Companies Act ("Scheme"), it is proposed to restructure DPTL with effect from 1 April 2014 ("Appointed Date"). The Scheme is subject to approval of the Scheme by the requisite majorities of the members of DPTL, TeaCo and ITCo and sanction of the Scheme by the Hon'ble High Court at Calcutta. Accordingly, the Scheme although operative from the Appointed Date shall become effective on the Effective Date, being the date or last of the dates on which certified copies of the order of the Hon'ble High Court at Calcutta sanctioning the Scheme are filed with the Registrar of Companies.

In terms of the Scheme, DPTL is proposed to be restructured as under:-

- i. The Tea Division of DPTL is proposed to be demerged to TeaCo from 1 April 2014 ("Appointed Date") in consideration of issue and allotment of Equity Shares in TeaCo credited as fully paid up to the shareholders of DPTL. The Tea Division would be demerged in accordance with the provisions of Section 2(19AA) of the Income Tax Act, 1961. As an integral part of the Scheme, the existing 50,000 Equity Shares of TeaCo of Rs.10/- each shall stand cancelled.



The shareholding of TeaCo would thus be a virtual mirror image of the shareholding of DPTL consequent to the Scheme. The equity shares to be issued by TeaCo are proposed to be listed / admitted for trading on stock exchanges where presently the equity shares of DPTL are listed / admitted for trading.

ii. The IT Park Division of DPTL is proposed to be reorganised by its transfer to ITCo with effect from the Appointed Date in consideration of issue and allotment of Equity Shares in ITCo credited as fully up to DPTL and payment in cash by ITCo to DPTL. The assets and liabilities of the IT Park Division would be transferred at their book values as on the Appointed Date.

PURPOSE

In this connection we have been requested by the Companies to (i) recommend the entitlement ratio of issue and allotment of Equity Shares of TeaCo to the Equity Shareholders of DPTL in consideration of the demerger and also to (ii) recommend the number of Equity Shares to be issued and allotted in ITCo to DPTL and amount to be paid in cash by ITCo to DPTL in consideration of the proposed reorganisation..

INFORMATION OBTAINED

We have obtained various information, explanations, data, documents, accounts and statements for the purpose of our report, including the following:-

- (a) Draft Scheme of Arrangement.
- (b) The annual reports of DPTL and TeaCo for the year ended 31st March 2013.
- (c) Unaudited Provisional Statement of Assets and Liabilities of the Tea Division and IT SEZ Division as at 31st December 2013
- (d) Unaudited provisional balance sheet and profit and loss account of TeaCo and ITCo as at 31st December 2013.
- (e) Extract of the summarized working results and net assets position of the Petrochemical Division and the Tea Division for the 3 years ended 31st March 2013 and for all the Divisions for the 6 months period ended 30th September 2013.
- (f) Other relevant details relating to the Divisions and the Companies.



We have also obtained necessary explanations and information, which we believed were reasonably necessary and relevant to the present exercise, from the management / representatives of the Companies. We have been requested to recommend the consideration for the demerger and reorganisation, taking into account, amongst other factors considered relevant by us, an appropriate financial structure and capital base, in TeaCo and ITCo.

CONFIDENTIALITY AND SCOPE LIMITATIONS

The information contained herein and our report is absolutely confidential. It is intended only for the sole use and information of the Companies, and only in connection with the proposed demerger and reorganisation including for the purpose of obtaining regulatory approvals for the same. We are not responsible to any other person / party for any decision of such person or party based on this report.

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 therein.

Our work does not constitute an audit or due diligence or certification or review of the historical financial statements and / or the balance sheets and profit and loss accounts, if any, of the Divisions / Companies referred to in this report. Accordingly, we are unable to and do not express an recommendation on the accuracy of any financial information referred to in this report. Our analysis and results are specific to the purpose of the exercise of giving our recommendation on the consideration for the consideration for the proposed demerger and reorganisation.

Our recommendation is based on the financial statements and other information relating to the Companies provided by the managements of the Companies as mentioned in the Sources of Information above, and the representation from the managements of the Companies. Our analysis and results are also specific to the date of this report. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

In the course of the present exercise, we were provided with both written and verbal information, including financial data. We have evaluated the information provided to us by the Companies through broad inquiry and analysis (but have not carried out a due diligence or audit or review of the Divisions / Companies for the purpose of this engagement, nor have we independently investigated or otherwise verified the data provided). We assume no responsibility for any errors in the above information furnished by the Companies and their impact on the present exercise.



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 reorganisation.

CONSIDERATION OF FACTORS

For the purpose of recommending the consideration for the demerger and reorganisation, we have considered various factors, including the following:-

- i. The existing level of Issued, Subscribed and Paid-up Capital of DPTL is Rs.35.03 Crores.
- ii. The net asset value of the Tea Division as per the provisional statement of assets and liabilities of the Tea Division is approximately Rs.287.88 crore as at 31st December, 2013. The net asset value of the IT SEZ Division as per the provisional statement of assets and liabilities of the IT SEZ Division is approximately Rs.45.22 crore as at 31st December, 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.
- iii. TeaCo: All existing Equity Shares of TeaCo will be cancelled consequent to the Scheme. TeaCo would cease to be a wholly owned subsidiary of DPTL. In terms of the Scheme new Equity Shares in TeaCo will be issued and allotted to the shareholders of DPTL in the same ratio. No other consideration in cash or in kind is to be paid by TeaCo to DPTL or any other person. The shareholding of TeaCo will thus be a virtual mirror image of the shareholding of DPTL. Further, TeaCo does not have substantial business or assets at present which are required to be valued. No relative valuation of shares of DPTL and TeaCo is thus considered necessary for the purpose of recommending the entitlement ratio for the demerger.
- iv. ITCo: All existing Equity Shares of ITCo will be acquired by DPTL. Thus ITCo will be a wholly owned (100%) subsidiary of DPTL. In terms of the Scheme, consideration for the reorganisation is proposed to be discharged by a combination of issue of shares in ITCo to DPTL and payment in cash by ITCo to DPTL. The payment is to be made within a period of five years from the Effective Date and in such manner as shall be mutually decided by the



companies depending on the business and other factors. The proposed combination of capital and deferred payment will provide greater flexibility to the financial structure of ITCo. Further, since the shares are to be issued only DPTL, ITCo would continue to be a wholly owned subsidiary of DPTL on such issue and allotment of shares. ITCo also does not have substantial business or assets at present which are required to be valued. No relative valuation of shares of DPTL and ITCo is thus considered necessary for the purpose of recommending the consideration for the reorganisation.

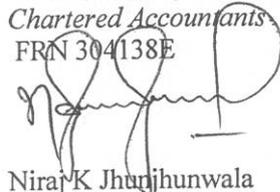
- v. An appropriate financial structure in TeaCo and ITCo is necessary for optimum running and development of the respective businesses.

4. RECOMMENDATION:

Keeping in view the aforesaid and other factors considered relevant by us, we recommend the following as a fair and reasonable consideration for the proposed demerger and reorganisation:

- i. In consideration of demerger of the Tea Division to TeaCo, Equity Shares of Rs.10/- each credited as fully paid up in TeaCo may be issued and allotted to the shareholders of DPTL in the Share Entitlement Ratio of 1 (One) Equity Shares of Rs.10/- each credited as fully paid up in TeaCo for every 5 (Five) Equity Shares of Rs.10/- each fully paid up held by them in DPTL; and
- ii. In consideration of the proposed reorganisation by transfer of the IT SEZ Division to ITCo, (a) 50,00,000 Equity Shares of Rs.10/- each credited as fully paid up in ITCo may be issued and allotted by ITCo to DPTL and (b) 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 said shares to be issued and allotted to DPTL, may be paid in cash by ITCo to DPTL within a period of five years from the Effective Date in terms of the Scheme.

For **D K Chhajer & Co**
Chartered Accountants
FRN 304138E



Niraj K Jhurjhunwala
Partner
Mem No. F057170
Place: Kolkata.

Date: 28th January, 2014

