



FAIRNESS OPINION REPORT

On

the Scheme of Arrangement

between

Dhunseri Petrochem Limited

and

Dhunseri Petglobal Limited

and

their respective shareholders

MERCHANT BANKERS' REPORT

February 29, 2016



Microsec Capital Limited

7 Camac Street

Azimganj House, 2nd Floor

Kolkata – 700 017

For Dhunseri Petrochem Ltd.

A handwritten signature in black ink, appearing to be "K. M. Balan".

K. M. Balan

Company Secretary & Compliance Officer

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1. INTRODUCTION

Dhunseri Petrochem Limited ("DPL"/"the Company") is a well established business house carrying on various businesses directly and through its subsidiaries. The equity shares of DPL are listed on the National Stock Exchange of India Limited and BSE Limited.

DPL is presently engaged in manufacturing of polyethylene terephthalate ("Pet Resin") at its plant in Haldia in the State of West Bengal. The products are sold both in the domestic and the international markets. In addition, DPL also carries on treasury operations in shares and securities of other bodies corporate. The Company also and has interest in Pet Resin business in Egypt through its subsidiary, namely Egyptian Indian Polyester Company S.A.E., and business of developing jointly with other co-developers and providing infrastructure facilities in IT/ITES Special Economic Zone in Bantala in the State of West Bengal through another subsidiary, namely Dhunseri Infrastructure Limited.

The Pet Resin business of DPL in India presently has a capacity of 4,80,000 metric tonnes. The per capital consumption of Pet Resin in India is very low as compared to countries like China and USA. The Pet Resin business of DPL is still relatively small as compared to the total present and expected size of such business in the country as also size of business considered adequate for being competitive globally in the long run. Such business has good potential for growth and development.

In order to realise the potential and opportunity existing in the said business in India, collaboration with a well-established world leader in such business having a global footprint was considered desirable. Indorama Ventures Global Services Limited ("IVGS"), which is a subsidiary of Indorama Ventures Public Company Limited ("Indorama"), one of the world's leading petrochemical producers, has agreed to collaborate with DPL and jointly develop the Pet Resin business of DPL in India and take a 50% equity stake in such business. Indorama is desirous of partnering DPL only for its PET Resin business in India and would not take a stake in the other businesses of DPL.

The considerations and factors applicable to the other business and interests of DPL are different and divergent from the Pet Resin business of DPL in India.

With strategic intent of restructuring and development of the businesses, the Pet Resin manufacturing business of DPL in India (**the Undertaking**) is proposed to be transferred to a new company Dhunseri Petglobal Limited (**DPGL**) with effect from April 01, 2016 (**the Appointed Date**).

The Indorama Dhunseri Joint Venture in DPGL will benefit from the local skills, knowledge, established base and expertise of DPL in the Undertaking combined with the global presence, expertise, experience, technological leadership, global market reach and high utilisation rates of Indorama. Such joint venture will strengthen and fortify the position of the DPGL to grow the Undertaking and become a larger and more efficient producer of Pet Resin, with substantial savings in cost of procurement of raw materials, lower cost of production and better capacity to market and sell its products both in the domestic and international markets.

The transfer of the Undertaking is proposed to be carried out through a Scheme of Arrangement under Sections 391 and 394 of the Companies Act, 1956 (**the Scheme**) wherein the Pet Resin manufacturing business of DPL in India including the investment of DPL in the shares of Haldia Integrated Development Agency Limited shall be transferred to DPGL in consideration of DPGL issuing and allotting Optionally Convertible Debentures (**Debentures**) to DPL.



Messrs. Bansi Mehta & Co., Chartered Accountants (the Financial Advisor) have given their report on the proposed consideration for the arrangement. 2,84,75,000 Optionally Convertible Debentures of Rs.100/- each credited as fully paid up in DPGL aggregating to Rs.284,75,00,000/- are proposed to be issued and allotted to DPL in consideration of the arrangement. The projected net asset value of the Undertaking as on the Appointed Date is Rs.284,75,00,000.

DPL has appointed Microsec Capital Limited ("Microsec") as an Independent Merchant Banker to furnish a fairness opinion on the report on consideration given by the Financial Advisor.

2. PURPOSE OF FAIRNESS OPINION

As per SEBI circular CIR/CFD/CMD/16/2015 dated November 30, 2015 in relation to schemes of arrangement by listed entities, the companies going through any arrangement/amalgamation/reconstruction etc. are required to obtain a "Fairness Opinion" from an Independent Merchant Banker.

3. LEGAL DISCLAIMER

The Company has requested us to issue a Fairness Opinion Report on the Report given by Bansi S. Mehta & Co., Chartered Accountants on the consideration for the arrangement. 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 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 transfer of the Undertaking.

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:

- Report dated February 29, 2016 issued by Bansi S. Mehta & Co., Chartered Accountants;
- Draft scheme of Arrangement;
- Financial statements of DPL ;
- 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 representatives of the companies.

5. BRIEF BACKGROUND OF THE COMPANIES UNDER REFERENCE

Dhunseri Petrochem Limited (DPL) is a company incorporated under the provisions of the Companies Act, 1913 and being a Company within the meaning of the Companies Act, 2013, having its registered office at 'Dhunseri House', 4A, Woodburn Park, Kolkata 700 020 in the State of West Bengal. The paid-up share capital of the DPL is Rs. 35,03,28,540/-. The equity shares of DPL are listed on the National Stock Exchange of India Limited and BSE Limited.

Dhunseri Petglobal Limited (DPGL) is a company incorporated under the provisions of the Companies Act, 2013, having its registered office at 'Dhunseri House', 4A, Woodburn Park, Kolkata 700 020 in the State of West Bengal. DPGL was incorporated recently with the object, inter alia, of carrying on the business of manufacture of PET Resin. The paid-up share capital of DPGL presently is Rs. 1,00,000/- divided into 10,000 equity shares of Rs. 10 each. As stated in the report of the Financial Advisor, upon approval of the Scheme by the Board of Directors of DPL and DPGL, (i) 9,900 existing equity shares of Rs.10/- each of DPGL shall be acquired by DPL and (ii) further 1,99,90,000 Equity Shares of Rs.10/- each will be issued and allotted to DPL. Hence, DPL will hold 99.99% of the issued and paid-up capital of DPGL. Accordingly DPGL will become a subsidiary of DPL.

6. RATIONALE OF THE FINANCIAL ADVISOR

From their report it is apparent that the Financial Advisor has taken into consideration various factors, including the proposed joint venture in the business, financial statement of the Undertaking and capital base of DPGL. The net asset value of the Undertaking as on the Appointed Date i.e. April 01, 2016 is projected to be approximately Rs. 284.75 crores.

Upon the Scheme coming into effect, it is proposed that DPGL shall, in exchange of the Undertaking, issue and allot to DPL, 2,84,75,000 Optionally Convertible Debentures of Rs. 100/- each ("Debentures") at par in DPGL credited as fully paid up. This Scheme will accordingly result in slump exchange between DPL and DPGL of ownership of Undertaking for ownership of such Debentures.

The Debentures shall be redeemed at par with issue price simultaneously with the new Equity Shares in DPGL being subscribed by IVGS. If such new Equity Shares in DPGL are not subscribed for any reason whatsoever by IVGS within a period of 9 months from the Effective Date, the said Debentures shall at the option of DPL be redeemable in cash at par at any time after expiry of a period of 9 months from the date of their allotment ("Issue Date") and not later than a period of 5 years from the Issue Date.

Alternatively, the Debentures shall be convertible into equity shares in DPGL at the option of DPL at any time after expiry of a period of 2 years from the Issue Date. The conversion price of the Debentures into Equity Shares shall be based on the fair value of the equity shares at the time of conversion. The Equity Shares resulting from such conversion shall rank pari passu in all respects with the Equity Shares of DPGL existing at the time of conversion. Further, failing such exercise of option, the Debentures shall be redeemed at par no later than a period of 5 years from the Issue Date. The Debentures shall carry interest at the rate of 9% per annum provided such interest will accrue only after the expiry of a period of 12 (Twelve) months from the Issue Date.



Upon the Scheme coming into effect, DPL would hold 99.99% of the issued and paid-up share capital of DPGL. Further, DPGL shall issue Debentures to DPL. Going forward DPGL proposes to give a 50% equity stake in DPGL to IVGS by issue and allotment of further 2,00,00,000 Equity Shares of Rs.10/- each to IVGS. However such stake will be given only after sanction of the Scheme. In terms of the Scheme, the consideration in exchange of the Undertaking, viz the Debentures, would be issued only to DPL. The ownership of both, DPGL and DPL would thus lie with the same set of shareholders in the same ownership interest upon sanction of the Scheme. Thus, the question or aspect of adjusting the equities between two or more disparate groups of existing shareholders (which is ordinarily at the root of fixing such ratio of allotment) has not been considered as relevant for determining the quantum of Debentures to be issued in consideration of the transfer of the Undertaking under the Scheme.

7. CONSIDERATION FOR TRANSFER

Based on the aforesaid, the Financial Advisor has confirmed the proposed consideration of issue and allotment at par of 2,84,75,000 Optionally Convertible Debentures of Rs. 100/- each credited as fully paid up in DPGL in exchange of transfer of the Undertaking of DPL to DPGL under the Scheme.

8. OPINION ON CONSIDERATION

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 said consideration for the arrangement is fair and proper.

For Microsec Capital Limited



Manav Goenka
Vice President
Investment Banking



For Dhunseri Petrochem Ltd. *



K. V. Balan
Company Secretary & Compliance Officer