

**PROPOSED TRANSFER OF  
INDIAN PET RESIN MANUFACTURING  
BUSINESS ("THE UNDERTAKING")  
OF  
DHUNSERI PETROCEM LIMITED ("DPL")  
TO  
DHUNSERI PETGLOBAL LIMITED ("DPGL")**

**ACCOUNTANTS' REPORT**

**BANSI S. MEHTA & CO.  
CHARTERED ACCOUNTANTS,  
Merchant Chamber, 3rd Floor,  
41, New Marine Lines,  
Mumbai-400 020.**

*Sanjay K. Mehta*

for Dhunseri Petrochem Ltd.

  
K. V. Balan  
Company Secretary & Compliance Officer

**CONTENTS**

1	INTRODUCTION	2
2	DATA OBTAINED	4
3	CONSIDERATION OF FACTORS	5
4	CONCLUSION	7
5	LIMITATIONS AND DISCLAIMER	8
	APPENDIX A: BROAD SUMMARY OF DATA OBTAINED	9

Car. True Co.



## 1 INTRODUCTION

### 1.1 Background and Terms of Engagement

A proposal for transfer of polyethylene terephthalate ("PET Resin") manufacturing business of DPL in India ("the Undertaking") to DPGL by a Scheme of Arrangement ("the Scheme") under Sections 391 and 394 of the Companies Act, 1956 is to be considered by the Boards of Directors of DPL and DPGL (collectively referred to as "the Companies").

We have been approached by the Managements of DPL and DPGL ("the Management") to give our report on the Optionally Convertible Debentures ("OCDs") proposed to be allotted by DPGL to DPL in exchange of the Undertaking of DPL proposed to be transferred to DPGL ("the Report") considering certain special features as discussed in Part 3 of this Report.

### 1.2 Profiles of the Companies

#### DPL

DPL is a company incorporated under the provisions of the Companies Act, 1913 having its registered office at 'Dhunseri House', 4A, Woodburn Park, Kolkata 700 020 in the State of West Bengal. The equity shares of DPL are listed on the National Stock Exchange of India Limited and BSE Limited.

DPL is a well-established concern carrying on the business of manufacturing PET Resin at its plant in Haldia in the State of West Bengal. In addition DPL also carries on treasury operations in shares and securities of other bodies corporate 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 Undertaking

The Undertaking means the PET Resin manufacturing business of DPL in India which includes its plant in Haldia in the State of West Bengal.

#### DPGL

DPGL is a new 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 does not have significant assets or liabilities at present.



**1.3 Share Capital of DPL:**

The Authorised, Issued, Subscribed and Paid-up capital of DPL as per the Financial Statement as at the date of this Report is as follows:

Particulars	Amount in Rs.
<b>Authorised</b> 35,12,20,000 Equity Shares of Rs. 10 each	351,22,00,000
<b>Issued, Subscribed &amp; paid up</b> 3,50,24,754 Equity Shares of Rs. 10 each Add: Amount Paid up on forfeited Equity Shares	35,02,47,540 81,000
<b>Total</b>	<b>35,03,28,540</b>

The shareholding pattern of DPL as at December 31, 2015 is as follows:

Particulars	No. of shares held	Percentage Holding
Promoter Group	2,35,65,682	67.28%
Public Shareholding	1,14,59,072	32.72%
<b>Total</b>	<b>3,50,24,754</b>	<b>100%</b>

**1.4 Share Capital of DPGL:**

The Authorised, Issued, Subscribed and Paid-up capital of DPGL as at the date of this Report is as follows:

Particulars	Amount in Rs.
<b>Authorised</b> 10,000 Equity Shares of Rs. 10/- each	1,00,000
<b>Issued, Subscribed &amp; paid up</b> 10,000 Equity Shares of Rs. 10/- each	1,00,000

We are instructed that upon approval of the Scheme by the Boards of Directors of DPL and DPGL (i) 9,900 existing Equity Shares of Rs.10/- each of DPGL will be acquired by DPL and (ii) the Authorised Share Capital of DPGL will be increased to Rs.20,00,00,000/- divided into 2,00,00,000 equity shares of Rs.10/- each and 1,99,90,000 new Equity Shares of Rs.10/- each will be issued and allotted to DPL for cash at par. Accordingly, DPGL will become a subsidiary of DPL with DPL holding 1,99,99,900 Equity Shares of Rs.10/- each constituting 99.99% of the total Issued, Subscribed and Paid up Share Capital of DPGL.

Certified True Copy



**2 DATA OBTAINED**

- 2.1 We have called for and have been supplied with various information, explanations, data, documents, accounts and statements from time to time for the purpose of arriving at a fair exchange ratio. **APPENDIX - A** hereto gives a broad summary of the data obtained.
- 2.2 For the purpose of our assignment, we have relied on the statements, information and explanations provided to us and have not tried to establish the accuracy or otherwise thereof.



### 3 CONSIDERATION OF FACTORS

For the purpose of arriving at the quantum of instruments to be exchanged against the proposed transfer, we have examined, considered and placed reliance on various details, data, documents, accounts, statements furnished and explanations and information given to us and have proceeded based on the following:

- 3.1 It is understood from the Management that there is a proposal to reconstruct DPL by separating the Pet Resin manufacturing business (Undertaking) of DPL in India from its other business and interests and transferring such Pet Resin manufacturing business to a new company with effect from 1<sup>st</sup> April, 2016 ("**Appointed Date**") by the said Scheme. Such reconstruction has been proposed to enable participation of a suitable strategic and financial partner in the said business through the new company and for the optimum running, growth and development of the said business. Accordingly the said Scheme of Arrangement under Sections 391 and 394 of the Companies Act, 1956 for Reconstruction by transfer of the Undertaking of DPL to DPGL in exchange of OCDs of DPGL to be issued and allotted to DPL has been proposed and will be considered by the Boards of Directors of the said companies.
- 3.2 On a perusal of the Scheme, it is understood that the assets and liabilities identified as pertaining to or in relation to the Undertaking would be recorded in the books of account of DPGL at their book value as appearing in the books of DPL as on the day immediately preceding the Appointed Date. We are instructed that the values of the fixed assets of the Undertaking are being restated. The net asset value of the Undertaking after such restatement is projected to be Rs. 284.75 Crores as on 1<sup>st</sup> April, 2016 as per the books of account of DPGL as on that date.
- 3.3 We have noted that upon approval of the Scheme by the Board, DPL would hold equity shares in DPGL to the extent of 99.99% of its total Issued, Subscribed and Paid Up Share Capital. Thus, practically, the entire share capital of DPGL would be held by DPL. Pursuant to the transfer of the Undertaking, OCDs are proposed to be issued by DPGL to DPL in terms of the Scheme. We are instructed that going forward DPGL proposes to give a 50% equity stake in DPGL to one Indorama Ventures Global Services Limited ("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 OCDs, would be issued only to DPL. From the foregoing, it is evident that the ownership of both, DPGL and DPL, would 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) is not relevant for determining the quantum of OCDs to be issued in exchange of the Undertaking under the Scheme.
- 3.4 We have also been informed of the level of ultimate capital of DPGL that the management deems reasonable from the angle of serviceability in the medium term.
- 3.5 As per the proposed Scheme, the terms applicable to the OCDs are, inter alia, as follows:-
- i. Issue price: At face value of Rs.100/- per OCD.
  - ii. Redemption: The OCDs shall be redeemed at par with issue price simultaneously with the new Equity Shares in DPGL being subscribed by IVGS after the Scheme. If such new Equity Shares in DPGL are not subscribed for any reason whatsoever by IVGS



within a period of 9 (Nine) months from the Effective Date of the Scheme, the said OCDs shall at the option of the debentureholders be redeemable in cash at par at any time after expiry of a period of 9 (nine) months from the date of their allotment ("Issue Date") and not later than a period of 5 (five) years from the Issue Date.

- iii. Conversion: The OCDs shall be convertible into Equity Shares in DPGL at the option of the Debentureholders at any time after expiry of a period of 2 (Two) years from the Issue Date. The conversion price of the OCDs 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. It is clarified that failing such exercise of option, the OCDs shall be redeemed at par no later than a period of 5 (five) years from the Issue Date.
- iv. Coupon rate: The OCDs shall carry interest at the rate of 9% (Nine Percent), due and payable on a yearly basis from the date of issue, provided that such interest will accrue only after the expiry of a period of 12 (Twelve) months from the Issue Date subject to consent of lenders.

3.6 In terms of the Scheme, 2,84,75,000 OCDs of a face value of Rs.100/- each are proposed to be issued by DPGL to DPL in exchange of the Undertaking as aforesaid.



**4 CONCLUSION**

On the basis of the foregoing factors, we are of the view that the said consideration in exchange of the Undertaking of DPL, i.e. 2,84,75,000 (Two Crores Eighty Four Lakhs and Seventy Five Thousand) OCDs of DPGL of a face value of Rs. 100/- each aggregating to Rs. 284.75 Crores (Two hundred and Eighty Four Crores and Seventy five Lakhs) is fair.



**5 LIMITATIONS AND DISCLAIMER**

- 5.1 Our Report is subject to the scope of limitations detailed hereinafter. The Report is to be read in totality and not in parts.
- 5.2 Our Report is based on the information furnished to us being complete and accurate in all material respects. Our scope of work does not enable us to accept responsibility for the accuracy and completeness of the information provided to us. We have, therefore, not performed any audit, review or examination of any information used and therefore, do not express any opinion with regard to the same.
- 5.3 Our Report is meant for the purpose mentioned in Para 1 and should not be used for any purpose other than the purpose mentioned therein. The Report should not be copied or reproduced without obtaining our prior written approval for any purpose other than the purpose for which it is prepared. However, we understand that the Report will be shared with the relevant High Court, advisors of the Companies in relation to the Scheme, as well as with the statutory authorities.
- 5.4 Our work does not constitute an audit or certification or due diligence of the past working results of the Companies and we have relied upon the information provided to us by the Management as regards such working results.
- 5.5 We have no obligation to update this report because of events or transactions occurring subsequent to date of the Report.

PLACE: MUMBAI



BANSI S. MEHTA & CO.

*Bansi S. Mehta & Co.*

DATE: FEBRUARY 29, 2016

CHARTERED ACCOUNTANTS



**APPENDIX A: BROAD SUMMARY OF DATA OBTAINED**

**From the Management of the Company:**

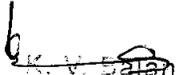
1. Draft scheme of arrangement between DPL, DPGL and their respective shareholders.
2. Financial Statements of DPL and Indian Pet Resin business (Undertaking) of DPL.
3. Net Asset Value of the Undertaking as at April 1, 2016 (i.e. Appointed Date).
4. Discussions with the Management after examining the foregoing data.

**From publicly available sources:**

1. Shareholding Pattern of DPL as at December 31, 2015 from the website of BSE Limited.



For Dhunseri Petrochem Ltd.

  
K. V. Bhatnagar  
Company Secretary & Compliance Officer