

FORTRESS

STRICTLY PRIVATE & CONFIDENTIAL

August 14, 2014

To,

The Board of Directors
Indokem Limited
Khatau House, Plot No 410 & 411,
Mogul Lane, Mahim,
Mumbai – 400 016

The Board of Directors
Indokem Exports Limited
Khatau House, Plot No 410/411,
Mogul Lane, Mahim,
Mumbai – 400 016

The Board of Directors
Khatau Capacitors Private Limited
Khatau House, Plot No 410/41,
Mogul Lane, Mahim,
Mumbai – 400 016

Sub: Fairness Opinion in connection with the proposed amalgamation of Indokem Exports Limited and Khatau Capacitors Private Limited with Indokem Limited under a Scheme of Amalgamation

Dear Sirs,

We refer to our discussion wherein the Management of Indokem Limited (hereinafter referred to as "Indokem"), has requested Fortress Capital Management Services Private Limited ('us') to give a fairness opinion on the on the valuation carried out by M/s SSPA & Co., Chartered Accountants ('Valuer') in connection with the proposed amalgamation of Khatau Capacitors Private Limited (hereinafter referred to as "Khatau Capacitors") and Indokem Exports Limited (hereinafter referred to as "Indokem Exports") (hereinafter collectively referred to as the "Companies") into Indokem Limited.

1. **BACKGROUND, SCOPE AND PURPOSE OF THIS REPORT**
- 1.1 Indokem Limited (hereinafter referred to as "Indokem") is engaged in the business of processing and trading of textile dyes and chemicals which are used in the textile



industry. The equity shares of Indokem are listed on BSE Limited. Indokem holds ~16.67% of the equity capital of Indokem Exports.

- 1.2 **Indokem Exports Limited** (hereinafter referred to as "Indokem Exports"), is engaged in the business of manufacturing and dealing in textile dyes and chemicals.
- 1.3 **Khatau Capacitors Private Limited** (hereinafter referred to as "Khatau Capacitors") is engaged in the business of manufacturing and dealing in electrical capacitors. Khatau Capacitors holds ~50% of the equity share of Indokem Exports and ~3.93% in Indokem.
- 1.4 We have been informed that Management is considering a proposal for amalgamation of Indokem Exports and Khatau Capacitors with Indokem with effect from appointed date of April 1, 2014.
- 1.5 We have been informed by the Management that Indokem intends to discharge the consideration for amalgamation through issue of 8% Non-Cumulative Redeemable Preference Shares (hereinafter referred to as "NCRPS") of INR 10 each to Equity Shareholders of Khatau Capacitors and Indokem Exports.
- 1.6 In this regard SSPA & Co., Chartered Accountants ("Valuer"), was appointed by Indokem to issue a valuation report in connection with the proposed amalgamation.
- 1.7 Accordingly, Indokem has appointed us to give a fairness opinion on valuation report issued by Valuer and scheme of amalgamation in connection with the proposed amalgamation.
- 1.8 The information contained in our report herein is confidential. It is intended only for the sole use of captioned purpose including for obtaining the requisite statutory approvals.

2. SOURCES OF INFORMATION

For the purposes of this exercise, we have relied upon the following sources of information:

- (a) Management Certified Financial Statements of Khatau Capacitors and Indokem Exports for the financial year ended March 31, 2014.
- (b) Draft Scheme of Amalgamation and Arrangement.



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- (c) Other relevant details regarding the Companies such as their history, their promoters, past and present activities, existing shareholding pattern and other relevant information and data including information in the public domain.
- (d) Valuation Report dated August 14, 2014 of the Valuer
- (e) Such other information and explanations as we required and which have been provided by the Management.

3. EXCLUSIONS AND LIMITATIONS

- 3.1 Our conclusion is based on the information furnished to us being complete and accurate in all material respects. We have relied upon the historical financials and the information and representations furnished to us without carrying out any audit or other tests to verify its accuracy with limited independent appraisal.
- 3.2 We have not conducted any independent valuation or appraisal of any of the assets or liabilities of the companies.
- 3.3 Our work does not constitute verification of historical financials or including the working results of the Companies referred to in this report. Accordingly, we are unable to and do not express an opinion on the fairness or accuracy of any financial information referred to in this report.
- 3.4 Our opinion is not intended to and does not constitute a recommendation to any shareholders as to how such shareholder should vote or act in connection with the Scheme or any matter related therein.
- 3.5 Our liability (statutory or otherwise) for any economic loss or damage arising out of the rendering this Opinion shall be limited to amount of fees received for rendering this Opinion as per our engagement with Indokem.
- 3.6 Our opinion is not, nor should it be construed as our opining or certifying the compliance of the proposed amalgamation with the provisions of any law including companies, taxation and capital market related laws or as regards any legal implications or issues arising thereon.
- 3.7 We assume no responsibility for updating or revising our opinion based on circumstances or events occurring after the date hereof.
- 3.8 We do not express any opinion as to the price at which shares of the Resulting Company may trade at any time, including subsequent to the date of this opinion.



3.9 This certificate has been issued for the sole purpose to facilitate the Company to comply with clause 24(f) and 24(h) of the Listing Agreement and SEBI Circular No CIR/CFD/DIL/5/2013 dated 4 February 2013 and CIR/CFD/DIL/8/2013 dated 21 May 2013 and it shall not be valid for any other purpose.

4. VALUATION METHODOLOGY ADOPTED BY THE VALUER

The Valuer has adopted "Underlying Asset" approach to carry out valuation and determine share exchange ratio for issue of 8% Non-Cumulative Redeemable Preference Shares (hereinafter referred to as "NCRPS") of INR 10 each to equity shareholders of Indokem Exports and Khatau Capacitors.

5. CONCLUSION

5.1 We have reviewed the Scheme of Amalgamation and methodology adopted by Valuer along with the underlying assumptions for arriving at the exchange ratio for shares.

5.2 On the basis of the foregoing and based on the information and explanation provided to us, in our opinion, the proposed amalgamation and share exchange ratio of,

97 (Ninety Seven) 8% Non Cumulative Redeemable Preference Share of Indokem of INR 10 each fully paid up for every 25 (Twenty Five) Equity share of Indokem Exports of INR 10 each fully paid up

349 (Three hundred forty nine) 8% Non Cumulative Redeemable Preference Share of Indokem of INR 10 each fully paid up for every 2 (Two) Equity share of Khatau Capacitor of INR 10 each fully paid up

is fair and reasonable.

Thanking you,

Yours faithfully,

For Fortress Capital Management Services Pvt. Ltd.

Authorized Signatory

Place: Mumbai

SEBI Registration No.: INM000011146



CERTIFIED TRUE-COPY

For INDOKEM LIMITED
Chairman & Managing Director