

Private and Confidential

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21st June 2018

The Board of Directors,

DIL Limited

A-1601, Thane One,
DIL Complex, Majiwada,
Thane (West) – 400 610

Dear Sir,

Reg: Fairness Opinion in connection with the proposed merger of Fermenta Biotech Limited (the "Transferor Company" or "FBL") into DIL Limited ("DIL" or the "Transferee Company")

Keynote Corporate Services Limited ("Keynote" or "we" or "us") is a Category I Merchant Banker registered with Securities Exchange Board of India ("SEBI"). We understand that the Board of Directors of DIL Limited ("DIL" or the "Transferee Company") and Fermenta Biotech Limited ("FBL" or the "Transferor Company") are contemplating a corporate restructuring wherein it is considering a Scheme of Amalgamation ("Scheme") for the merger of Fermenta Biotech Limited into DIL Limited ("DIL" or the "Transferee Company"). The proposed restructuring is to be carried out pursuant to the Scheme of Amalgamation under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013.

In connection with the proposed Scheme, we have been requested by the Board of Directors of DIL to issue a Fairness Opinion as of the date hereof, as to the fairness of the Share Exchange Ratio to the Equity Shareholders of DIL. We have perused the documents/ information provided by you in respect of the said Scheme and the Valuation Report as issued by N S Kumar & Co. Chartered Accountants ("NSKC") dated 21st June 2018 and state as follows:

Company Profile:

DIL Limited, Transferee Company is a listed public limited company incorporated under the Companies Act, 1913 having its registered office at A-1601, Thane One, 'DIL' Complex, Ghodbunder Road, Majiwade, Thane (W) – 400 610, Maharashtra, India (hereinafter referred to as the "Transferee Company"). The Transferee Company was originally incorporated to engage in the business of manufacturing and marketing of drugs and pharmaceuticals, chemicals, cosmetics and toiletries products under the name International Franchise Private Limited. In 1971, its name was changed to Crookes Interfran Limited which was further changed to Duphar-Interfran Limited and post demerger of its formulation business to Solvay Pharma India Limited in 2001 to DIL Limited. The Transferee Company is majorly into the business of manufacturing and marketing of chemicals, API, enzymes, pharmaceutical formulations and environmental solution products, through its subsidiary and is also engaged in the business of renting of properties.

Fermenta Biotech Limited, Transferor Company (CIN: U99999MH1986PLC134021) is an unlisted public limited company incorporated under the Companies Act, 1956 having its registered office at A-1501, Thane One, 'DIL' Complex, Ghodbunder Road, Majiwade, Thane (W) – 400 610, Maharashtra, India (hereinafter referred to as the "Transferor Company"). The Transferor Company is engaged in the business of manufacturing and marketing of chemicals, active pharmaceutical ingredients ('API'), enzymes,

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For DIL Limited

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Sukant N. Sharma
Company Secretary

Keynote Corporate Services Limited

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pharmaceutical formulations and environmental solution products. The Transferor Company is a subsidiary of the Transferee Company.

Rationale of the Amalgamation:

The Transferee Company is holding 91.20% equity stake in the Transferor Company. In order to consolidate and effectively manage the Transferor Company and the Transferee Company in a single entity and to achieve *inter-alia* economies of scale and efficiency, the merger is being undertaken. The amalgamation of the Transferor Company with the Transferee Company would *inter alia* have the following benefits:

- (a) Amalgamation to be value accretive to the shareholders of the Transferee Company as the shareholders would have direct access to the core business of the Transferor Company;
- (b) Greater integration and greater financial strength and flexibility for the amalgamated entity, which would result in maximising overall shareholder value;
- (c) Greater efficiency in cash management of the group and unfettered access to cash flow generated by the combined business which can be deployed more efficiently to fund organic and inorganic growth opportunities, to maximize shareholder value;
- (d) Improved organizational capability and leadership, arising from the pooling of human capital having diverse skills, talent and vast experience to compete successfully in an increasingly competitive industry;
- (e) Cost savings are expected to flow from more focused operational efforts, rationalization, standardisation and simplification of business processes, and the elimination of duplication, and rationalization of administrative expenses;
- (f) Reduction in the multiplicity of legal and regulatory compliances required at present to be separately carried out by the Transferor Company and the Transferee Company;
- (g) To optimally leverage the larger assets base and cash flow of the amalgamated entity;
- (h) Amalgamation will result in the Transferee Company directly controlling and managing the business of the Transferor Company which would lead to simplification of the shareholding structure and reduction of shareholding tiers; and
- (i) To meet the covenants agreed upon for taking a loan facility and to avail the incentivised reduction in the interest rates from lenders in respect of the borrowings.

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Keynote Corporate Services Limited

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Sources of Information:

For arriving at the Fairness Opinion set forth below, we have relied upon the following sources of information:

- Valuation Report by N S Kumar & Co. Chartered Accountants dated 21st June 2018
- Audited financials of DIL & FBL for the year ended 31st March 2018 and 31st March 2017
- Unaudited financial statements for the year ended 31st March 2018 of Aegean Properties Limited
- Audited financial statements for the year ended March 2017 of associates and joint venture companies
- Valuation reports for the immovable properties held by DIL and its subsidiaries Issued by TrueVal Advisors dated 05 May 2018 and Harshad Ruparel dated 18 February 2018
- Projected Financials for the five year period from financial year 2019 to 2023 of FBL
- Shareholding pattern of DIL and FBL as at 31st March 2018
- Draft Scheme of Amalgamation
- Other relevant information/documents regarding FBL & DIL including information available through public domain

In addition to the above, we have also obtained such other information and explanations, which were considered relevant for the purpose of our Analysis.

Our Recommendation:

As stated in the Valuation Report by N S Kumar & Co. Chartered Accountants, they have recommended the following:

"100 equity shares of DIL of INR 10 each fully paid up for every 1,006 equity shares of FBL of INR 10 each fully paid up".

SHARE EXCHANGE RATIO IN CASE THE RECOMMENDED SPLIT AND BONUS ISSUE APPROVED

Further, we were given to understand that the Board of Directors of DIL have in its board meeting held on 18 June 2018, subject to the approval of the shareholders, recommended a split/ sub division of equity shares of DIL from a face value of INR 10 each to face value of INR 5 each. The Board has also recommended, subject to shareholder approval issue of bonus shares in the proportion of 1:1 i.e. 1 (one) fully paid equity shares of INR 5 each for every 1 (one) existing fully paid up equity shares of INR 5 each held by the members.

Should both the above proposals be approved by the shareholders the recommended share exchange ratio would be revised as under:

"100 equity shares of DIL of INR 5 each fully paid up for every 251 equity shares of FBL of INR 10 each fully paid up".

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The aforesaid Arrangement shall be pursuant to the Scheme and shall be subject to receipt of approval from the National Company Law Tribunal or such other competent authority as may be applicable and other statutory approvals as may be required. The detailed terms and conditions of the arrangement are more fully set forth in the Scheme. Keynote has issued the Fairness Opinion with the understanding that Scheme shall not be materially altered and the parties hereto agree that the Fairness Opinion would not stand good in case the final Scheme alters the transaction

Based on the information, data made available to us, including the Valuation Report, to the best of our knowledge and belief, the Share Exchange Ratio as recommended by N S Kumar & Co. Chartered Accountants in relation to the proposed Scheme is fair to the equity shareholders of DIL Limited in our opinion.

Exclusions and Limitations:

We have assumed and relied upon, without independent verification, the accuracy and completeness of all information that was publicly available or provided or otherwise made available to us by DIL and FBL for the purpose of this opinion. Our work does not constitute an audit or certification or due diligence of the working results, financial statements, financial estimates or estimates of value to be realized for the assets of DIL and FBL. We have solely relied upon the information provided to us by DIL and FBL. We have not reviewed any books or records of DIL and FBL (other than those provided or made available to us). We have not assumed any obligation to conduct, nor have we conducted any physical inspection or title verification of the properties or facilities of DIL and FBL and neither express any opinion with respect thereto nor accept any responsibility therefore. We have not made any independent valuation or appraisal of the assets or liabilities of DIL and FBL. We have not reviewed any internal management information statements or any non-public reports, and, instead, with your consent we have relied upon information which was publicly available or provided or otherwise made available to us by DIL and FBL for the purpose of this opinion. We are not experts in the evaluation of litigation or other actual or threaten claims and hence have not commented on the effect of such litigation or claims on this opinion. We are not legal, tax, regulatory or actuarial advisors. We are financial advisors only and have relied upon, without independent verification, the assessment of DIL and FBL with respect to these matters. In addition, we have assumed that the Scheme will be approved by the regulatory authorities and that the proposed Transaction will be consummated substantially in accordance with the terms set forth in the Draft Composite Scheme.

We understand that the management of DIL during our discussion with them would have drawn our attention to all such information and matters which may have an impact on our analysis and opinion. We have assumed that in the course of obtaining necessary regulatory or other consents or approvals for the Scheme, no restrictions will be imposed that will have a material adverse effect on the benefits of the Transaction that DIL may have contemplated. Our opinion is necessarily based on financial, economic, market and other conditions as they currently exist and on the information made available to us as of the date hereof. It should be understood that although subsequent developments may affect this opinion, we do not have any obligation to update, revise or reaffirm this opinion. In arriving at our opinion, we are not authorized to solicit, and did not solicit, interests for any party with respect to the acquisition, business combination or other extra-ordinary transaction involving DIL or any of its assets, nor did we negotiate with any other party in this regard.

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We have acted as a financial advisor to DIL for providing a Fairness Opinion and will receive a fee for our services.

In the ordinary course of business, Keynote is engaged in securities trading, securities brokerage and investment activities, as well as providing investment banking and investment advisory services. In the ordinary course of its trading, brokerage and financing activities, any member of Keynote may at any time hold long or short positions, and may trade or otherwise effect transactions, for its own account or the accounts of customers, in debt or equity securities or senior loans of any company that may be involved in the Transaction.

The Fairness Opinion is addressed only to the Board of Directors of DIL and is for the purpose of submission to the Stock Exchanges under the SEBI Circular. Further, the Fairness Opinion may be disclosed on the website of DIL and the Stock Exchanges and also be made part of the explanatory statement to be circulated to the shareholders and/ or creditors of the Company. The Fairness Opinion should be read in totality and not in parts. The Fairness Opinion shall not otherwise be disclosed or referred to publicly or to any other third party without Keynote's prior written consent. If this Fairness Opinion is used by any person other than whom it is addressed or for any purpose other than the purpose stated hereinabove, then we will not be liable for any consequences thereof.

We express no opinion whatever and make no recommendation at all as to DIL's underlying decision to effect to the proposed Transaction or as to how the holders of equity shares or preference shares or secured or unsecured creditors of DIL should vote at their respective meetings, if any, held in connection with the Transaction. We do not express and should not be deemed to have expressed any views on any other terms of Transaction. We also express no opinion and accordingly accept no responsibility for or as to the prices at which the equity shares of DIL will trade following the announcement of the Transaction or as to the financial performance of DIL following the consummation of the Transaction.

In no circumstances however, will Keynote Corporate Services Limited or its associates, directors or employees accept any responsibility or liability to any third party and in the unforeseen event of any such responsibility or liability being imposed on Keynote Corporate Services Limited or its associates, directors or employees by any third party, DIL and their affiliates shall indemnify them.

For KEYNOTE CORPORATE SERVICES LTD



Uday Patil

Director - Investment Banking

SEBI Registration No. INM000003606

(Category - I Merchant Banker)