

CONFIDENTIAL

Date: 14 November, 2019

To  
The Board of Directors,  
Dalmia Refractories Limited  
4, Scindia House, Connaught Place,  
New Delhi – 110001

## I. Engagement Background

We understand that the Board of Directors of Dalmia Refractories Limited (“DRL” or “Company”) and Sri Dhandauthapani Mines and Minerals Limited (“SDMM”) are considering amalgamation of DRL with SDMM and listing of SDMM through a scheme of amalgamation and arrangement (“Part III of the Scheme”) under the applicable provisions of Companies Act, 2013. Pursuant to the scheme, the equity shareholders of DRL will be issued equity shares of SDMM as consideration for their respective equity shareholding in DRL. We have been engaged to provide a fairness opinion only on the share exchange ratio for amalgamation of DRL with SDMM only from a financial point of view and we are not expressing any opinion on any other transaction envisaged in the Scheme.

Further, the scheme of amalgamation and arrangement envisages transactions between the following entities **Dalmia Refractories Limited, GSB Refractories India Private Limited, Sri Dhandauthapani Mines and Minerals Limited and Ascension Comercio Private Limited**, and in its entirety referred to as the “Scheme”.

Part III of the Scheme envisages amalgamation of DRL with SDMM and listing of SDMM in a manner, as set forth in the draft Scheme shared with us on November 13, 2019.

We further understand that the share exchange ratio for the proposed transaction has been arrived at based on the valuation report dated November 14, 2019 (“Valuation Report”) prepared by Walker Chandiook & Co. LLP (the “Valuer”), who have independently been appointed for this exercise by DRL.

Based on our perusal of the Valuation Report prepared by the Valuer, we understand that it has been proposed that pursuant to the amalgamation of DRL into SDMM, for every 100 (One Hundred) fully paid up equity shares of the face value of Rs. 10 each held by the shareholders of DRL, SDMM shall issue and allot 768 (Seven Hundred and Sixty-Eight) fully paid equity up shares of the face value of Rs. 10 each of SDMM (hereinafter referred to as the “Share Exchange Ratio”)

In connection with amalgamation of DRL with SDMM, you requested our fairness opinion (the “Opinion”) as of the date hereof, as to the fairness of the Share Exchange Ratio, as proposed by the Valuer, from a financial point of view, to the shareholders of the Company.

## II. Background of the Scheme

A brief history of each of the aforesaid companies is as under –



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- **DRL** is a public company limited by shares, incorporated on 21st June, 1973 under the provisions of the Companies Act, 1956 and is having its registered office at Dalmiapuram, P.O. Kallakudi - 621 651, Dist. Tiruchirapalli, Tamil Nadu. The equity shares of DRL are listed on The Calcutta Stock Exchange Limited and Metropolitan Stock Exchange of India Limited ("Stock Exchanges"). DRL is engaged in the business of manufacturing and selling of refractory products and services.
- **SDMM** is a public company limited by shares, incorporated on October 4, 2006 under the provisions of the Companies Act, 1956 and is having its registered office at Dalmiapuram, Distt. Tiruchirappali, Tamil Nadu- 612651. SDMM is an entity identified to carry out the refractory operations of the Dalmia Bharat Group.

Part III of Scheme provides for:

Amalgamation of DRL with SDMM

- As consideration for the amalgamation of DRL into SDMM, SDMM shall issue equity shares to the equity shareholders of DRL proportionate to their holding in DRL
- Shareholders of DRL as on the record date shall be entitled to equity shares of SDMM
- SDMM shares to be issued and allotted to DRL shareholder's in terms of the Scheme shall be subject to the provisions of the memorandum and articles of association of SDMM and shall rank *pari-passu* in all respects and shall have the same rights attached to the then existing equity shares of SDMM
- Listing of equity shares of SDMM on Stock Exchanges
- Upon the coming into effect of the Scheme, DRL shall stand dissolved without winding up

The rationale for the Part III of the Scheme is based on inter-alia the following benefits:

- a) creation of a consolidated refractory business of considerable size,
- b) better realization of potential of these businesses and
- c) enhance value creation for the said companies, their respective shareholders and stakeholders.

We have taken the foregoing facts (together with the other facts and assumptions set forth in section III of this Opinion) into account when determining the meaning of "fairness" for purposes of this Opinion.

### III. Limitation of Scope and Review

Our Opinion and analysis is limited to the extent of review of documents as provided to us by the SDMM and DRL including the Valuation Report prepared by Valuer and the draft Scheme.

In connection with this Opinion, we have:

- reviewed the draft Scheme
- reviewed the Valuation Report prepared by the Valuer;
- reviewed certain historical business and financial information relating to each of the relevant entities, as provided by the Company, and sought certain clarifications with respect to the same;
- held discussions with the Valuer, in relation to the approach taken to valuation and the details of the various methodologies utilised by them in preparing the Valuation Report and recommendations;

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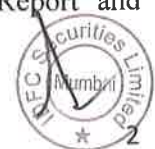
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- sought various clarifications from the respective senior management teams of the relevant companies;
- reviewed certain publicly available information with respect to certain other companies in the same line of business and which we believe to be generally relevant in the context of the businesses of SDMM and DRL; and
- performed such other financial analysis and considered such other information and factors as we deemed appropriate.

We have relied upon the accuracy and completeness of all information, documents, data and explanations provided to us, without carrying out any due diligence or independent verification or validation of such information to establish its accuracy or sufficiency. We have relied upon assurances of the management of DRL & SDMM that they are not aware of any facts or circumstances that would make such information or data incomplete, inaccurate or misleading in any material respect. The respective management of the DRL/SDMM/Valuer have indicated to us that it has understood that any omissions, inaccuracies or misstatements may materially affect our Opinion. Accordingly, we assume no responsibility for any errors in the above information furnished, to us, by the DRL/SDMM/Valuer and their impact on the present exercise.

We have assumed the genuineness of all the signatures, the authenticity of all documents submitted to us as originals, and the conformity with their originals of all documents submitted to us as copies thereof, and that each of the copies of the documents supplied to us or photocopies or facsimiles thereof are true, complete and accurate and we have found nothing to indicate that such assumption are not fully justified.

With respect to SDMM and DRL and/ or their subsidiaries:

- ✓ We have not conducted any independent valuation or appraisal of any of the assets or liabilities
- ✓ We do not express any opinion as to the value of any asset whether at current prices or in the future.

We express no opinion on the achievability of the forecasts if any, given to us. The assumptions used in their preparation, as we have been explained, are based on the management's present expectation of both - the most likely set of future business events and circumstances and the management's course of action related to them. It may occur that some events and circumstances do not occur as expected or are not anticipated. Therefore, actual results during the forecast period may differ from the forecast and such differences may be material.

We express no view as to, and our Opinion does not address, the underlying business decision of DRL and/or SDMM to effect the proposed Scheme or the merits of the proposed Scheme. Our Opinion does not constitute a recommendation to any shareholder or creditor of DRL and/or SDMM as to how such shareholder or creditor should vote on the proposed Scheme or any matter related thereto.

In rendering our Opinion, we have assumed, that the Scheme will be implemented on the terms described therein, without any waiver or modification of any material terms or conditions, and that in the course of obtaining the necessary regulatory or third party approvals for the Scheme, no delay, limitation, restriction or condition will be imposed that would have an adverse effect on

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SDMM and DRL and/ or their subsidiaries and/or their respective shareholders. We have further assumed that the transaction would be carried out in compliance with applicable laws, rules and regulations.

Our Opinion does not factor overall economic environment risk, material adverse change and other risks and is purely based on the information and representations provided to us. Our Opinion does not address matters such as corporate governance or shareholder rights. We have assumed that the Part III of Scheme is legally enforceable.

No consideration has been given to any liens or encumbrances against the assets, beyond the loans disclosed in the accounts. Accordingly, no due diligence into any right, title or interest in property or assets was undertaken and no responsibility is assumed in this respect or in relation to legal validity of any such claims.

We do not express any Opinion as to any tax or other consequences that might arise from the Scheme on SDMM and DRL and/ or their subsidiaries and/or their respective shareholders, nor does our Opinion address any legal, tax, regulatory or accounting matters, as to which we understand that the Companies have obtained such advice as it deemed necessary from qualified professionals. In addition, we express no view or opinion as to the fairness of the amount or nature of, or any other aspects relating to, the compensation to any officers, directors or employees of any parties to the Scheme, or class of such persons, relative to the Share Exchange Ratio or otherwise.

We assume no responsibility for updating or revising our Opinion based on circumstances or events occurring after the date hereof. Our Opinion is specific to the amalgamation of DRL with SDMM as contemplated in the Part III of the Scheme provided to us and is not valid for any other purpose. It is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein.

We or our affiliates or group companies may have in the past provided, and may currently or in the future provide, investment banking, broking, research or banking services to the DRL and SDMM and/or its subsidiaries or their respective affiliates that are unrelated to the proposed Scheme, for which services we may have received or may receive customary fees. In addition, in the ordinary course of their respective businesses, affiliates of IDFC Securities Limited (“IDFC”) may actively trade securities of DRL and/or the SDMM and / or its subsidiaries or group companies or for their own accounts and for the accounts of their customers and, accordingly, may at any time hold a position in such securities. Our engagement and the Opinion expressed herein are for the benefit of the Board of Directors of the DRL and/or SDMM in connection with its consideration of the Scheme and for none other. Neither IDFC, nor its affiliates, partners, directors, shareholders, managers, employees or agents of any of them, makes any representation or warranty, express or implied, as to the information and documents provided to us, based on which the Opinion has been issued. All such parties and entities expressly disclaim any and all liability for, or based on or relating to any such information contained therein.

We do not accept any liability to any third party in relation to the issue of this Opinion, and our Opinion is conditional upon an express indemnity from DRL in our favor holding us harmless from and against any cost, damage, expense and other consequence in connection with the provision of this Opinion.

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This Opinion is subject to the laws of India.

Neither the Opinion 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 for submission to NCLT, Courts, Stock Exchanges, other regulatory authorities and inspection by shareholders in connection with the proposed amalgamation of the DRL with SDMM including the proposed Scheme, without our prior written consent.

In addition, this Opinion does not in any manner address the price at which the Company's equity shares will trade following consummation of the Scheme and we express no opinion or recommendation as to how the shareholders of either company should vote at any shareholders' meeting(s) to be held in connection with the Scheme.

This Opinion is limited to the matters stated herein and is not to be read as extending to any other matters not so referred to. We express no views or opinion as to any terms or other aspects of the Scheme (other than Share Exchange Ratio to the proposed amalgamation of DRL with SDMM) including without limitation, the form or structure of the Scheme. We were not requested to, and we did not, participate in the negotiation of the Scheme. We express no opinion or view with respect to the financial implications of the Scheme for any stakeholder, including creditors of respective companies.

#### IV. VALUER'S RECOMMENDATION

As per the Valuation report of Valuer, it is quoted

“Pursuant to the amalgamation of DRL into SDMM, we recommend the Fair Share Exchange Ratio to be 768 (Seven Hundred and Sixty-Eight) fully paid up Equity Shares of Face Value INR 10 each of SDMM for every 100 (Hundred) fully paid-up Shares of Face Value INR 10 each held in DRL”

#### Conclusion

Based on and subject to the foregoing, we are of the opinion that, as of the date hereof, Share Exchange Ratio, proposed by the Valuer in its' Valuation Report is fair to the equity shareholders of DRL, from a financial point of view.

Very truly yours,

For **IDFC Securities Limited**



Authorised Signatory  
Name: Kamraj Singh Negi  
Designation: Managing Director

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