



To,  
The Board of Directors  
Electrosteel Castings Limited  
Rathod Colony,  
Rajgangpur, Sundergarh,  
Odisha – 770 017

**Sub: Fairness Opinion on the Share Exchange Ratio for the Proposed Scheme of Amalgamation of Srikalahasthi Pipes Limited with Electrosteel Castings Limited.**

Dear Sir/Madam,

**1. ENGAGEMENT BACKGROUND**

We understand that the Board of Directors of the above referred Companies are considering an amalgamation of Srikalahasthi Pipes Limited ("Transferor Company") with Electrosteel Castings Limited (the "Transferee Company") pursuant to a Scheme of Amalgamation ("Scheme") under the applicable provisions of the Companies Act, 2013.

We further understand that pursuant to the above Scheme, the shareholders of Transferor Company will be issued equity shares of Transferee Company as consideration for their respective shareholdings in the Transferor Companies.

We further understand that the Share Exchange ratio in this regard has been arrived based on the Valuation Report dated 03rd October, 2020 prepared by the independent Chartered Accountants (collectively referred to as "Valuers"), M/s Sharp & Tannan, Chartered Accountant (the "Valuers" or "S&T") who has been appointed by Srikalahasthi Pipes Limited (Transferor Company) and R.V. Shah & Associates, Chartered Accountants (the "Valuers" or "RVS") who has been appointed by the Electrosteel Castings Limited (Transferee Company).

In connection with the aforesaid, you have requested our Opinion as to the fairness of the Share Exchange Ratio, as recommended by the Valuers to the shareholders of Electrosteel Castings Limited (the "Transferee Company").

**2. BACKGROUND OF THE COMPANIES**

**a. Electrosteel Castings Limited ("ECL")**

- Electrosteel Castings Limited (CIN: L27310OR1955PLC000310) is a public limited company incorporated on 26th November 1955 and having its registered office at Rathod Colony, Rajgangpur, District: Sundergarh, Odisha 770 017.
- ECL is engaged in the manufacture and supply of Ductile Iron (DI) Pipes, Ductile Iron Fittings (DIF) and Cast iron (CI) Pipes as its core business and produces and supplies Pig Iron, in the process. It also produces Metallurgic Coke, Sinter and Power for captive consumption. The company caters to the needs of Water Infrastructure Development.

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For ELECTROSTEEL CASTINGS LIMITED

*Company Secretary*

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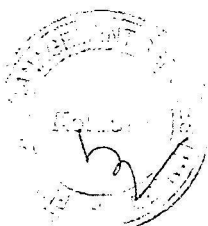


- Equity shares of ECL are listed on National Stock Exchange of India Limited ("NSE") and Bombay Stock Exchange Limited ("BSE").
- The Company is the first to set up a Ductile Iron Pipe Plant in India. Today, it is India's leading pipeline solution provider. It has a strong brand presence around the Globe. The Company is distinct choice for water engineers and domain experts in Ductile Iron Pipes and Fittings.
- ECL has overseas subsidiaries which are primarily engaged in the business of trading of DI Pipes and Fittings.
- ECL has reported a consolidated shareholder's fund of INR 2,881 Cr as on 31st March 2020 and consolidated revenue and consolidated profit after tax of INR 2,711 Cr and INR 161 Cr for the year ended 31st March 2020.
- The shareholding pattern of ECL as on 30<sup>th</sup> September 2020 is as follows:

Sr. No	Category	No. of Shares	% Holding
a.	Promoter & Promoter Group	23,89,57,776	55.19%
b.	Public	19,39,96,933	44.81%
Total		43,29,54,709	100%

**b. Srikalahasthi Pipes Limited ("SPL")**

- Srikalahasthi Pipes Limited (CIN: L74999AP1991PLC013391) is a listed public company, incorporated on November 01, 1991, having its registered office in Rachgunneri Village, Srikalahasthi Mandal, District Chittoor, Andhra Pradesh 517641. SPL was formerly known as Lanco Industries Limited.. ECL and SPL are under the control of common promoter group. ECL along with its promoter group of companies are in a position to and do exercise control over SPL. ECL holds 1,93,01,218 fully paid up equity shares having face value of INR 10 each of SPL amounting to 41.33% of the total Equity share capital of SPL.
- SPL is one of the leading players in the DI pipe industry in India with plant located at Rachgunneri, Sri kalahasthi, Chittoor District, Andhra Pradesh near Tirupati and its key products include DI Pipes, Pig Iron, Coke & and Cement. SPL has a backward integrated manufacturing facility which includes a sinter plant, coke oven plant, and power plant and Sewage Treatment facilities in the same complex spread over 330 acres, giving the company a significant competitive advantage. The company supplies DI pipes to various Water Boards, Municipal Corporations and Turnkey Contractors across the country for their Water Infrastructure Projects which is the thrust area of the Government of India.
- Equity shares of SPL are listed on the National Stock Exchange of India Limited ("NSE") and BSE Limited ("BSE").



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- SPL has reported a ShareHolder's Fund of around INR 1,416 crores as on 31st March 2020, revenue from operations and profit after tax of around INR 1,663 Crores and INR 188 Crores respectively for the year ended 31st March 2020.
- The shareholding pattern of SPL as on 30th September, 2020 is as follows:

Sr. No	Category	No. of Shares	% Holding
a.	Promoter & Promoter Group	2,24,83,513	48.15%
b.	Public	2,42,14,894	51.85%
Total		4,66,98,407	100%

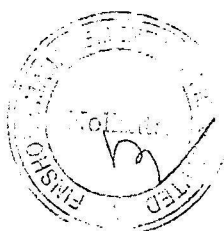
### 3. SOURCES OF INFORMATION

We have relied on the following information for forming our opinion on the fairness of the Share Exchange Ratio:-

- Audited Annual Accounts of the Companies for FY 2015-16 to FY 2019-20;
- Draft Scheme of Amalgamation between the Transferor and Transferee Companies and their respective shareholders and creditors;
- Valuation report dated 03rd October, 2020 issued jointly by R.V. Shah & Associates, Chartered Accountants, and M/s Sharp & Tannan, Chartered Accountants determining the Share Exchange Ratio; and
- Shareholding Pattern of the Companies as on 30<sup>th</sup> September, 2020.
- Brief Overview of the Companies and its past & current operations;
- Management certified Draft Scheme of Amalgamation for the proposed restructuring;
- Management Representation dated 03<sup>rd</sup> October, 2020 containing various data, documents and information relating to the Companies, which is relevant for the present valuation;
- Other information provided, as well as discussions held with, the Management of the Companies and other key personnel regarding past, current & future business operations;
- Published & secondary sources of data, whether or not made available by the Companies.
- Such other necessary information as considered relevant.

### 4. A) RATIONALE OF THE SCHEME OF AMALGAMATION

- The Transferor Company and Transferee Company are under the control of common promoter group of companies. Transferee Company along with promoter group of companies are in a position to and do exercise control over the transferor Company. The Transferor Company and Transferee Company are engaged in the same line of business, i.e., manufacture and sale of ductile iron pipes and both have common economic objective and strategic goals. It would be advantageous to combine the activities and operations in a single company leading to strong capability in effectively meeting future challenges of competitive business environment.
- The Amalgamation will enable the Transferor Company and Transferee Company to streamline their business activities into a single combined entity, thereby resulting in



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economies of scale and avoidance of undue duplication in work, reduction in common expenditure otherwise incurred by the two entities within common group, better and more productive utilization of financial, human and other resource and enhancement of overall business efficiency.

- c. The Amalgamation will result in significant reduction in multiplicity of legal and regulatory compliances which at present is required to be made separately by the Companies.
- d. The Amalgamation will result in simplification of the group structure and management structure with only one listed company in group leading to better administration and reduction in administrative and other costs from more focused operational efforts, rationalization, standardization and simplification of business processes.
- e. The Amalgamation will enable the combined entity to leverage their consolidated resources to: (a) increase production capacities; (b) undertake research and development initiatives to improve manufacturing processes and final product; (c) serve the needs of a larger customer base leading to overall business domestically as well as overseas, and (d) improved credit rating.
- f. The synergies that exist between the two companies in terms of services and resources can be put to the best advantage of all stakeholders.
- g. The Scheme of Amalgamation is expected to be in the best interests of the shareholders, employees and the creditors of the Transferor Company and the Transferee Company.

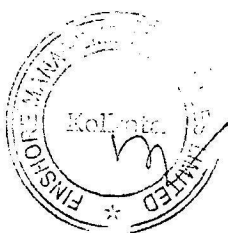
4. **B) THE SCHEME IS CONDITIONAL UPON AND SUBJECT TO:**

- a. The Company obtaining the observation letter from the designated Stock Exchange for the implementation of the Scheme.
- b. The Scheme being agreed to by the respective requisite majorities of members of the Company as required under the Act.
- c. The requisite sanctions and approvals under the applicable law including but not limited to approvals, sanctions required under the SEBI Circular (CFD/DI13/CIR/2017/21) dated March 10, 2017 issued by the SEBI read with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, and as may be required by law in respect of this Scheme being obtained.
- d. The Scheme being approved by the National Company Law Tribunal, read with all other applicable provisions if any, of the Act or of such other authority having jurisdiction under applicable law, being obtained.
- e. The certified copy of the above order of the NCLT sanctioning this Scheme being filed with the Registrar of Companies

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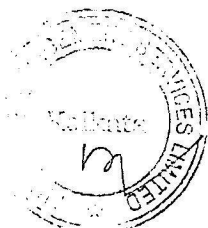
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*Caution: Information Disclosure*



#### SCOPE AND LIMITATIONS/CAVEATS

- a. Our opinion and analysis is limited to the extent of review of documents as provided to us by the Transferor and Transferee Companies including the Valuation report containing the share exchange ratio prepared by the independent Chartered Accountants R.V. Shah & Associates, Chartered Accountants, and M/s Sharp & Tannan, Chartered Accountants dated 03<sup>rd</sup> October, 2020 and draft Proposed Scheme. We have relied upon the accuracy and completeness of all information and documents 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 not reviewed any financial forecasts relating to these Companies. We have not conducted any independent valuation or appraisal of any of the assets or liabilities of the Transferor and Transferee companies, if any.
- b. In rendering our opinion, we have assumed that the Scheme of Amalgamation 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 approvals to the Scheme of Amalgamation, no delay, limitation, restriction or conditions will be imposed that would have an adverse effect on the Scheme.
- c. We do not express an opinion as to any tax or other consequences that might arise from the Scheme of Amalgamation 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.
- d. 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 arrangement as contemplated in the Scheme of Amalgamation provided to us and is not valid for any other purpose.
- e. Our engagement and opinion expressed herein are for the use of Board of Directors of the Companies in connection with the Scheme of Amalgamation and for no other purpose. Neither we nor any of our affiliates, partners, directors, shareholders, managers, employees or agents or any of them make 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.
- f. No decision should be taken based on this Report by any person intending to provide finance or invest in shares of the Companies and shall do so after seeking their own professional advice and carrying out their own due diligence to ensure that they are making an informed decision.



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- g. Our opinion is not intended to and does not constitute a recommendation to any shareholder as to how such holder should vote or act in connection with the Scheme of Amalgamation, if required or any matter related thereto.
- h. Reproduction, Copying or otherwise quoting of our Report or any parts thereof, other than in connection with the scheme of amalgamation, can be done only with our prior consent in writing.
- i. Our report should not be construed as an opinion or certificate certifying the compliance of the Proposed Scheme of amalgamation with the provisions of any law including companies, taxation and capital market related laws or as regards any legal implication or issues arising from proposed amalgamation.
- j. Our opinion is restricted to the Fairness opinion on the valuation of Shares done by the Independent Chartered Accountants as required under Circular No CFD/DIL3/CIR/2017/21 dated 10<sup>th</sup> March, 2017 of SEBI
- k. As represented by the Management, the impact of COVID-19 ("Covid") has been considered in the financial projections.
- l. The fairness opinion is based on and is subject to the condition's precedent mentioned under Point 4B "The Scheme Is Conditional Upon And Subject To".
- m. We have no present or planned future interest in ECL and SPL and the fee payable for this opinion is not contingent upon the opinion reported herein. The company has been provided with an opportunity to review the draft opinion as a part of our standard practice to make sure that factual accuracy / omissions are avoided in our final opinion.
- n. The Opinion contained herein is not intended to represent at any time other than the date that is specifically stated in this Report. This opinion is issued on the understanding that the Management has drawn our attention to all matters of which they are aware, which may have an impact on our opinion up to the date of signature. We have no responsibility to update this report for events and circumstances occurring after the date of this Report.
- o. This Fairness opinion report is subject to the scope and limitations detailed herein. As such the report is to be read in totality, and not in parts and in conjunction with the relevant documents referred to in this report. This report has been issued only for the purpose of the facilitating the Scheme and should not be used for any other purpose.

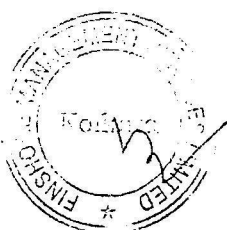
## 6. OPINION

- a. With reference to above and based on information provided by Management and after discussions with the Valuers, we understand that the Proposed Scheme has been structured to consolidate the business of ECL and SPL. The proposed amalgamation is driven by motive to achieve synergies through focused business segments and leverage on its operations for future growth.

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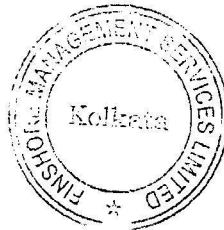
- b. "Subject to the caveats as detailed herein, based on our review as above and the information and explanation furnished to us, we as a Merchant Banker hereby certify that we have reviewed the valuation report recommending the swap ratio for the proposed scheme of amalgamation of Transferor Company with Transferee Company and are of the opinion that following share exchange ratio –

"59 (Fifty Nine) equity shares of Electrosteel Castings Limited of INR 1/- each fully paid up for every 10 (Ten) equity shares of Srikalahasthi Pipes Limited of INR 10/- each fully paid up"

is fair and reasonable to the equity shareholders of transferee company."

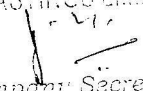
For Finshore Management Services Limited  
SEBI Regd. CAT-I Merchant Banker, Regn No. INM000012185

  
S. Ramakrishna Iyengar  
Director



Place: Kolkata  
Date: 03<sup>rd</sup> October, 2020

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