

June 07, 2021

The Board of Directors

Dhampur Sugar Mills Limited
241, Okhla Industrial Estate, Phase-III
New Delhi 110020
Dear Members of the Board

Subject: Fairness Opinion on the share entitlement ratio for the shareholders of Dhampur Sugar Mills Limited pursuant to proposed demerger of its Demerged Undertaking into Dhampur Bio Organics Limited

We refer to the Engagement Letter dated April 26, 2021 with Centrum Capital Limited (hereinafter referred to as "Centrum" or "us" or "we") wherein Dhampur Sugar Mills Limited (hereinafter referred to as "you" or "Dhampur" or "DSML" or "the Company" or "Demerged Company") has requested us to provide a fairness opinion on the share entitlement ratio as at June 07, 2021 ("Valuation Date") recommended by Anuradha Gupta, Registered Valuer - Securities of Financial Assets, IBBI Registration No. IBBI / RV /02/2020/12790 ("Valuer") for allotment of equity shares of the resulting company – Dhampur Bio Organics Limited ("DBOL" or the "Resulting Company") to the shareholders of DSML, with respect to the proposed demerger of Demerged Undertaking (as defined in the Scheme) of the Company on a going concern basis.

Scope and Purpose of the Report

We understand that the Company is contemplating to demerge the Demerged Undertaking into DBOL ("Proposed Transaction"), the consideration in respect of which will be the issue and allotment of the equity shares of the Resulting Company to all the shareholders of the Demerged Company in accordance with the share entitlement ratio as recommended by the Valuer. The proposed demerger is to be carried out pursuant to the Scheme of Arrangement under Sections 230 to 232 of the Companies Act, 2013, as amended and other applicable provisions of the Companies Act, 2013.

The draft Scheme of Arrangement ("Scheme") provides for the following:

- (i) Demerger of the Demerged Undertaking of the Demerged Company and transfer of the same to the Resulting Company, being a wholly owned subsidiary of the Demerged Company.
- (ii) Issue and allotment of equity shares of the Resulting Company to all the shareholders

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of the Demerged Company in proportion to their shareholding in the Demerged Company, as consideration for the transfer of the Demerged Undertaking, in such manner that the shareholding of the Demerged Company and Resulting Company mirror one another;

- (iii) Simultaneously with the issue and allotment of equity shares of the Resulting Company to the shareholders of the Demerged Company, the existing equity shares of the Resulting Company shall stand cancelled;
- (iv) Following the completion of the issuance and allotment of shares of the Resulting Company to all the shareholders of the Demerged Company as above, subsequent transfer by the GV Promoter Group (as defined in the Scheme) of equity shares held by them in the Resulting Company to GT Promoter Group and transfer by the GT Promoter Group (as defined in the Scheme) of the equity shares held by them in the Demerged Company to GV Promoter Group, in accordance with the Scheme;
- (v) The Appointed Date means the opening of business hours on April 1, 2021 or such other date as the NCLT may direct/allow; and
- (vi) The Scheme will come into effect from the Effective Date (as defined in the Scheme), being the date on which all conditions and matters referred to in Clause 31 of the Scheme occur or have been fulfilled, obtained or waived, as applicable, in accordance with the Scheme.

The Share Entitlement Ratio Report provides that upon the demerger being effective, 1 (One) fully paid up equity share of DBOL of INR 10 each shall be issued to the shareholders of DSML for every 1 (One) fully paid up equity share in DSML having face value of INR 10 each (“Share Entitlement Ratio”).

In connection with the aforesaid, the Management of the Company (“Management”) has engaged Centrum Capital Ltd (“Centrum”) to submit a fairness opinion report on the Share Entitlement Ratio to the equity shareholders of DSML, with respect to the Proposed Transaction.

Our scope of work includes commenting only on the fairness of the Share Entitlement Ratio with respect to the Proposed Transaction for the consideration of the Board of Directors and committees of the Board of the Company.

This report is our deliverable in respect of the above engagement. This report is subject to the scope, assumptions, exclusions, limitations and disclaimers detailed hereinafter. As such the report is to be read in totality and not in parts, in conjunction with the relevant documents referred to therein.

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This report has been issued for facilitating the Proposed Transaction and should not be used for any other purpose. The aforesaid demerger shall be pursuant to the Draft Scheme of Arrangement and shall be subject to the receipt of approval from National Company Law Tribunal or such other competent authority as may be applicable and other statutory/regulatory approvals as may be required. The Scheme is also subject to approval by the shareholders of the Demerged Company in accordance with the requirements set out under paragraphs 10(a) and 10(b) of Part-I of the SEBI Master Circular bearing number SEBI/HO/CFD/DIL1/CIR/P/2020/249 dated December 22, 2020 ("SEBI Master Circular") consolidating SEBI circulars dated March 10, 2017, March 23, 2017, May 26, 2017, September 21, 2017, January 3, 2018, September 12, 2019 and November 3, 2020 (collectively, the "SEBI Circulars"). The detailed terms and conditions of the demerger are fully set forth in the Draft Scheme of Arrangement. Centrum has issued this Fairness Opinion with the understanding that Draft Scheme of Arrangement shall not be materially altered and the parties hereto agree that the Fairness Opinion would not stand good in case the final Scheme of Arrangement alters the Proposed Transaction.

BACKGROUND

Dhampur Sugar Mills Limited

DSML is a public Company, limited by shares, incorporated under the provisions of the Companies Act, 1913, under Corporate Identity No. L15249UP1933PLC000511 and having its registered office at District Bijnor, Dhampur – 246761 ("Demerged Company") and has Five units situated at Dhampur district Bijnore, Mansurpur district Muzaffarnagar, Rajpura district Badaun, Asmoli district Sambhal and Meerganj district Bareilly all in the State of Uttar Pradesh having manufacturing facilities of sugar, chemicals and power generation with different capacities.

The equity shares of the Demerged Company are listed on BSE Limited and the National Stock Exchange of India Limited.

Dhampur Bio Organics Limited

DBOL is a public company, limited by shares incorporated under the provisions of the Companies Act, 2013 under Corporate Identity No. U15100UP2020PLC136939 and having its registered office at Sugar Mill Compound, Village Asmoli Sambhal, Moradabad – 244304. At present all the equity shares of DBOL are held by DSML i.e. Demerged Company. The objects of DBOL are to carry out the dealing in and manufacturing of sugar, chemicals and co-generation of power. The equity shares of DBOL are not listed at present.

RATIONALE OF THE PROPOSED TRANSACTION

- (i) The proposed Demerger will create opportunities for pursuing independent growth and expansion strategies in the segregated businesses and effectively unlock value

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of each of the manufacturing units. The Demerger also represents an opportunity for the public shareholders to exploit the individual potential of both Companies.

- (ii) The segregation will allow each of the Companies to create a strong and distinctive platform with more focused management teams, which will enable greater flexibility to pursue long-term objectives and independent business strategies. The structure will streamline management and provide diversity in decisions regarding the use of respective cash flows for dividends, in capital expenditure or other reinvestment in their respective business, and in being able to explore varied investment opportunities and attract various investors and strategic partners.
- (iii) The business units of the Demerged Company are independent, self-sufficient in raw material, and standalone integrated, and would continue to function with efficiency, efficacy and synergies after the Demerger, and transition will be largely seamless.
- (iv) The Demerger at this juncture will also create a framework for succession planning including long term leadership of each Company with a view to ensure that the management and ownership model of the Demerged Company is not hindered by fragmentation of ownership and dispersed leadership over time as the promoter-manager families move closer to a generational shift, which may be detrimental to the Demerged Company, business and stakeholders. Instead, following the Demerger, the management of each Company and ownership of the promoter-managers in each Company will remain consolidated within a family group, lean and agile, consistent with the model followed in relation to the Demerged Company over the past few decades during which the Demerged Company has seen significant growth, stability and value creation. This will also ensure long term stability including through continued maintenance of goodwill and harmony and allow for succession planning in an orderly and strategic manner without any business disruption.
- (v) The shareholding of public shareholders will remain the same in both Companies and shareholder value, across Companies, will be preserved and remain unchanged.

SOURCES OF INFORMATION

We have relied on the following information received from the Management in connection with the exercise:

- Share entitlement ratio report by Anuradha Gupta, Registered Valuer - Securities of Financial Assets IBBI Registration No. IBBI / RV /02/2020/12790 dated June 07, 2021
- Draft Scheme of Arrangement for the demerger of Demerged Undertaking of DSML into DBOL

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- Audited financials of DSML for FY18-19, FY19-20 and FY20-21
- Audited financial statements of DBOL for FY21
- Pre and post scheme shareholding patterns of DSML and DBOL
- Background information provided through e-mails and/or during discussions

We have also obtained further explanations and information from the Management considered reasonably necessary for our exercise.

BASIS OF OPINION

- 1.1 The Scheme envisages, basis the Share Entitlement Ratio Report, that the Resulting Company shall issue equity shares in the ratio of 1 (One) fully paid up equity share of face value INR 10 (Rupees Ten) each of DBOL to the shareholders of DSML for every 1 (One) fully paid up equity share of INR 10 (Rupees Ten) each held in DSML.
- 1.2 Simultaneously with the issue and allotment of the said equity shares by DBOL, the existing paid-up equity share capital of DBOL held by DSML and its nominees will stand cancelled, extinguished and annulled.
- 1.3 Thus, effectively the shareholding of DBOL would mirror the shareholding of DSML.
- 1.4 The new equity shares of DBOL allotted post demerger shall be listed at BSE Limited and National Stock Exchange of India Ltd., as per provisions of the Scheme.
- 1.5 For the proposed transaction, the ratio of allotment of equity shares in DBOL has been decided based on the desired capital structure of DBOL and avoiding fractional entitlement in the hands of the shareholders.
- 1.6 The share entitlement ratio and the number of equity shares to be allotted pursuant to demerger, under the draft scheme, is of no material relevance since there will be no loss of economic interest in the hands of shareholders of DSML.
- 1.7 The effect of demerger is that each shareholder of DSML will become owner of equity shares in two companies instead of one.
- 1.8 Upon issuance of equity shares basis the Share Entitlement Ratio and after the cancellation of pre-Demerger equity share capital of DBOL, the equity shareholders of DSML and DBOL would be same.

The Share Entitlement Ratio is based on the Valuation report dated June 07, 2021 submitted by the Valuer.

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Centrum has taken the foregoing facts (together with the other facts and assumptions set forth in the section Limitation of Scope and Review) into account when determining the meaning of "fairness" for the purpose of this opinion.

LIMITATION OF SCOPE AND REVIEW

The Fairness Opinion only aims to represent that the Share Entitlement Ratio as contained in the Opinion is fair and further that the Fairness Opinion shall be valid only for a limited period of time post Centrum's assessment of the relevant information. The Fairness Opinion may not be valid for any other purpose or as at any other date. Also, it may not be valid if done on behalf of any other entity. Fairness Opinion assessment and the Opinion are specific to the date of this report. As such, the Opinion is, to a significant extent, subject to continuance of current trends beyond the date of the report. The services do not represent accounting, assurance, accounting/tax due diligence, consulting or tax related services that may otherwise be provided by us or our affiliates.

Centrum's opinion and analysis is limited to the extent of review of documents as provided to Centrum by DSML and DBOL including the Share Entitlement Ratio Report dated June 07, 2021, submitted by the Valuer and the draft Scheme of Arrangement.

Centrum has relied upon the accuracy and completeness of all information and documents without carrying out any due diligence or independent verification or validation of such information to establish its accuracy or sufficiency. Centrum has not conducted any independent valuation or appraisal of any of the assets or liabilities of DSML and/or its subsidiaries. In particular Centrum does not express any opinion as to the value of any asset of DSML and/or its subsidiaries whether at current prices or in the future.

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 have assumed that the information provided to us presents a fair image of DSML at the Valuation Date. Accordingly, we assume no responsibility for any errors in the above information furnished by the Management and their impact on the present exercise. Also, we assume no responsibility for technical information furnished by the Management and believed to be reliable.

Centrum's opinion is not and should not be construed as Centrum's opining or certifying the compliance of the Proposed Transaction with the provisions of any law including companies, taxation and capital market related laws or as regards any legal implications or issues arising from such Proposed Transaction. In addition, we express no opinion or recommendation as to how the shareholders of the Company should vote at any shareholders' meeting(s) to be held in connection with the Proposed Transaction.

One should note that valuation is not an exact science and that estimating values necessarily involves selecting a method or approach that is suitable for the purpose.

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Centrum does not express any opinion as to the price at which equity shares of DSML may trade at any time, including subsequent to the date of this opinion. In rendering the opinion, Centrum has assumed that the Scheme will be implemented on the terms describe therein, without any waiver or modification of any material terms or conditions and that in 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 adverse effect on DSML and/or its subsidiaries and their respective shareholders.

Centrum has also not opined on the fairness of any terms and conditions of the Scheme other than the fairness, from financial point of view, of the Share Entitlement Ratio. We acknowledge that this Fairness Opinion will be shared to the extent as may be required, with relevant Tribunal, stock exchanges, advisors of the Companies as well as with statutory authorities in relation to the proposed Scheme. This Fairness Opinion can also be shared with the shareholders of the Demerged Company and Resulting Company, as may be required, in relation to the proposed Scheme.

Centrum assume no responsibility for updating or revising its opinion based on circumstances or events occurring after the date hereof. Centrum's opinion is specific to the Proposed Transaction as contemplated in the Scheme as provided to Centrum 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.

Save and except for DSML, Centrum owes no responsibility to any person in connection with this Fairness Opinion. It may be noted that Centrum's liability in connection with this Fairness Opinion shall be limited only to the extent of fees received for the purpose of this engagement. Centrum does not accept any liability to any third party in relation to the issue of this Fairness Opinion. Neither this Fairness 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 without Centrum's prior written consent. Centrum retains the right to deny permission for the same.

In the ordinary course of business, Centrum and its affiliates are 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 Centrum and its affiliates 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 proposed scheme.

The laws of India govern all matters arising out of or relating to this opinion (including, without limitation, its interpretation, construction, performance, and enforcement). This report is subject to the laws of India.

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VALUER'S RECOMMENDATION

The Valuer has recommended to issue 1 (One) fully paid up equity share of face value INR 10 each of DBOL to the shareholders of DSML for every 1 (One) fully paid up equity share of INR 10 (Rupees Ten) each held in DSML.

OPINION

Having regard to all relevant factors, on the basis of information provided and explanations given to Centrum by the Demerged Company and the Valuer, Centrum is of the opinion, on the date hereof to the best of its knowledge and belief, that the above Share Entitlement Ratio as recommended by the Valuer is fair to the equity shareholders of DSML.

It should be noted that we have examined only the fairness of the Share Entitlement Ratio for the Proposed Transaction and have not examined any other matter including economic rationale for the transfer of the Demerged Undertaking per se or accounting and tax matters involved in the Proposed Transaction.

Yours truly,
For Centrum Capital Limited



Rajendra Naik
MD – Investment Banking



Sugandha Kaushik
Vice President – Investment Banking



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