



ARIHANT capital markets ltd.

Fairness Opinion

Scheme of

Demerger and transfer of Undertakings

from

Ducon Technologies (India) Pvt. Ltd.

to

Ducon Infratechnologies Ltd.

Prepared by:

ARIHANT Capital Markets Limited

Merchant Banking Division

Mumbai

March 29, 2016

The information contained herein is of a confidential nature and is intended for the exclusive use of the persons for whom it was prepared.



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1. Background

Ducon Technologies (India) Pvt. Ltd. is a private limited company incorporated under the Companies Act, 1956 having its registered office at Plot No. A-4, Road No. 1, Behind APLAB Company, MIDC, Wagle Industrial Estate, Thane - 400604, Maharashtra ("DTPL" or "Demerged Company").

Ducon Infratechnologies Limited (Formerly known as Dynacons Technologies Ltd.) is a listed public entity incorporated under the Companies Act, 1956 having its registered office at 78, Ratnajyot Industrial Estate, Irla lane, Vile Parle (West), Mumbai - 400056, Maharashtra. ("DIL" or "Resulting Company").

DTPL is primarily engaged in the business of design, manufacture, supply, erection and commissioning of various industrial projects including pollution control systems; engaged in the implementation of new technologies for modernization of old plants and provides consultation, design and supervision for electrification projects.

DIL is primarily engaged in the business of providing information technology and non-information technology infrastructure. The equity shares of DIL are listed on BSE Limited ("BSE") and the National Stock Exchange of India Limited. ("NSE")

Management of the DTPL and DIL have decided to transfer Demerged Undertaking from DTPL into DIL through a demerger under Sections 391 to 394 and other applicable provisions of the Companies Act, 1956, including the corresponding provisions of the Companies Act, 2013 as and when applicable ("The Act")

The transfer of the Demerged Undertaking, by way of Scheme, including its business, undertaking and investments from the Demerged Company are expected to lead to significant benefits for both businesses including:-

- Enhanced strategic flexibility to build a vibrant industrial platform;
- Enable a dedicated management focus and to accelerate growth of the Demerged Undertaking; and
- Access to varied sources of funds for the rapid growth of both businesses.

Towards this purpose, the Board of Directors of DIL have provided us with a draft copy of the proposed scheme of Arrangement for the Demerger between DTPL and DIL which is scheduled to be considered and approved at DIL's Board meeting to be held on March 29, 2016 ("Scheme"). The proposed Scheme will also be placed at the meeting of the Board of Directors of the Demerged Company (DTPL) to be held on March 29, 2016.



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2. Reference & Context

As the equity shares of DiL are listed on BSE & NSE, it is bound by the listing agreement and the provisions thereof as amended from time to time.

We, Arihant Capital Markets Ltd., have been appointed to issue a fairness opinion pursuant to the Scheme of Arrangement in terms of sub Para 8(h) of Para I(A) of Annexure I of the SEBI Circular No. CIR/CFD/CMD/16/2015 dated November 30, 2015 read with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 on valuation of assets done by independent Valuers for the Demerged Company and Resulting Company.

We are a SEBI registered merchant banker and are not associated with DTPL and DIL as merchant banker / consultant save for this fairness opinion and are not their associate.

We have applied ourselves towards formation and expression of the opinion on the valuation of equity shares done jointly by the valuers M/s. SSPA & CO., having office at 1st floor, Arjun, Plot No. 6A, V.P Road, Andheri (W), Mumbai- 400 058 and M/s. Khimji Kunverji & Co. having office at Sunshine Tower, Level 19, Senapati Bapat Marg, Elphinstone Road, Mumbai 400 013 ("Valuers") in relation to this proposed Scheme of Arrangement.

This Fairness Opinion is issued pursuant to our appointment as Merchant Bankers by DIL for issuing the Fairness Opinion.

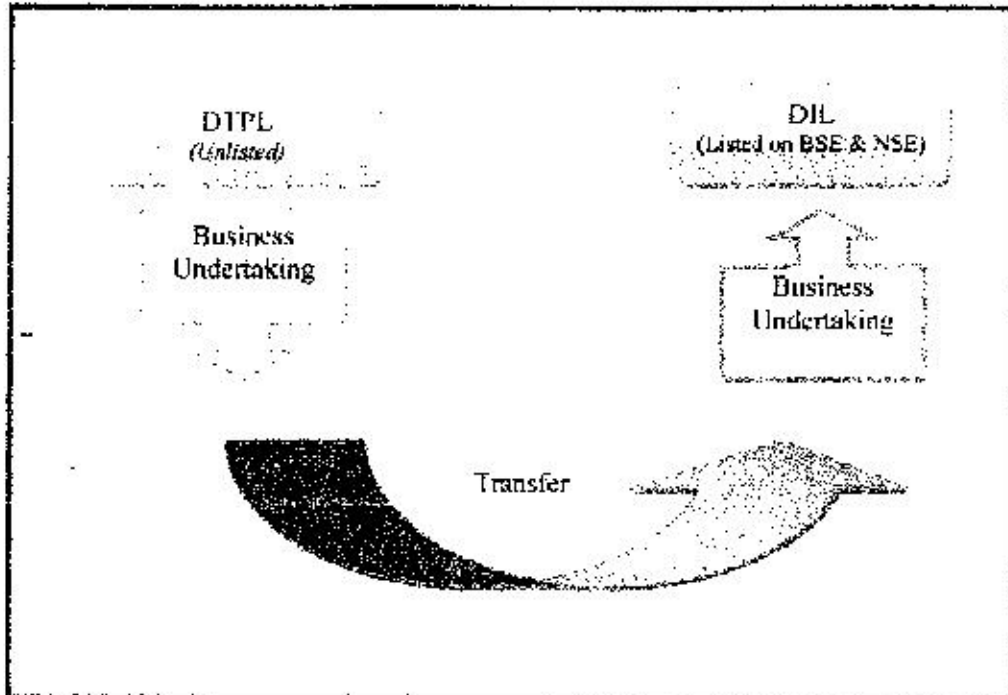
3. Proposed Transaction

DTPL proposes to transfer its Demerged Undertaking to DIL through a Scheme of Arrangement for Demerger. Below mentioned structure is as per the proposed Scheme provided to us by DIL.

As per the scheme, equity shares are proposed to be issued by the Resulting Company to the shareholders of the Demerged Company. Pursuant to the allotment of equity shares under the scheme, promoter group shareholding in DIL will not go beyond 75%.



Proposed Transaction



4. Engagement Context

The management of DIL has requested ARIHANT Capital Markets Limited ("ARIHANT" or "We / Us / Our") to express an opinion about fairness of the valuation done by the Valuers from a financial point of view in accordance with sub Para 8(b) of Para 1(A) of Annexure I of the SEBI Circular No. CIR/CFD/CMD/16/2015 dated November 30, 2015 read with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 to the Shareholders of DIL (the "Fairness Opinion").

This Fairness Opinion is expressed solely with reference to requirements under aforementioned purpose; and scope of this assignment is restricted to opine about fairness of valuation already done by the Valuers in relation to the proposed Scheme.

This opinion does not in any way constitute a recommendation by ARIHANT to any Shareholder as to whether such shareholder should approve or reject the proposed transaction, in cases where voting by public shareholders is warranted. We urge you to read this Fairness Opinion carefully and entirely.





We have been engaged by DIL to issue a Fairness Opinion and will receive a fixed fee for rendering this Fairness Opinion, which is independent of the happening or otherwise of the proposed transaction.

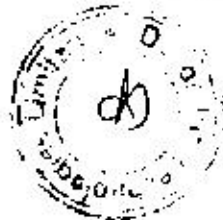
This Fairness Opinion may be reproduced in the explanatory statement sent to the shareholders of DIL along with the notice of general meeting / postal ballot form, conducted to get approval for the proposed transaction, so long as the format of reproduction of the Fairness Opinion in such report and any description of or reference in such report to ARIHANT, is in a form acceptable to us.

5. Basis of forming Opinion

5.1 Documents and Information Considered

For the purpose of providing our opinion, we have reviewed:

1. Certain publicly available business and financial information relating to DIL, including the Annual Report for the financial year ending March 31, 2015 and unaudited financial results up to 31 December 2015.
2. Certified draft of the proposed Scheme of Arrangement to be approved by the Boards of Directors of the respective companies.
3. Copy of undertakings / Management Representations issued by DTPJ and DIL to the Valuers in relation to valuation of respective companies.
4. Pre Scheme and Post Scheme Shareholding pattern of DIL.
5. Copy of the valuation report of the Valuers M/s. SSPA & Co. and M/s. Khimji Kunverji & Co. Chartered Accountants, dated March 29, 2016 recommending Fair Share Exchange ratio for the proposed scheme.
6. Performed such other reviews and analyses as ARIHANT, in its absolute discretion, deemed appropriate.





5.2 Assumptions and Limiting Conditions

ARIHANT has been engaged to provide standard services for the issuance of the Fairness Opinion and therefore have not performed any due diligence or audit of the information provided to us, nor have we made any independent valuation or appraisal of the assets or liabilities. DTPL and DIL have provided us with the copy of valuation report done by the Valuers and have asked us to peruse and opine on the said report. DTPL and DIL have confirmed that as the issuance of Fairness Opinion is in relation to proposed demerger, the report may also be reproduced / quoted by us.

ARIHANT has assumed and relied upon the truth, accuracy and completeness of the information, data and financial terms provided to us by DTPL, DIL or their authorized representatives or used by us, and has assumed that the same are factually correct and does not assume or accept any liability or responsibility for any independent verification or checking of such information or any independent valuation or appraisal of any of the assets, operations or liabilities of Demerged Company or the Resulting Company.

In preparing this opinion, ARIHANT has received specific confirmation from management of DTPL and DIL that all the information the Company has provided to ARIHANT in relation to the engagement of ARIHANT is correct and complete and no information has been withheld that could have influenced the purport of this Fairness Opinion.

This opinion exclusively focuses on the fairness, from a valuation point of view, of the shares / assets done by the Valuers and does not address any other issues such as the underlying business decision to recommend the transaction or its commercial merits, which are matters solely for the Boards of Directors of DTPL, and DIL to address and further to be confirmed by the shareholders of both the companies, as may be required.

ARIHANT's formation of fairness opinion is based on information supplied by DTPL and DIL, representations and confirmations of its management on various issues and we have relied upon them as such without any independent verification and as such we do not hold ourselves liable if our opinion becomes flawed as a result of any shortcomings in such information, representations and confirmations given by DTPL and DIL.

In rendering this opinion, ARIHANT has not provided legal, regulatory, tax, accounting or actuarial advice and accordingly ARIHANT does not assume any responsibility or liability in respect thereof. Furthermore ARIHANT has assumed that the proposed transaction will be consummated on the terms and conditions





as set out in the proposed Scheme of Arrangement, without any material changes to, or waiver of, its terms or conditions.

6. Valuation Approaches and their Review

6.1. Overview

The formation of a fairness opinion is generally a complex process involving careful consideration and review of valuation methods, associated financial and other analyses, performed by the Valuers. ARIHANT has made a qualitative assessment of the appropriateness of the method and subsequent application.

6.2 Valuation

ARIHANT has reviewed the method of valuation adopted by the Valuers. Their report states that shares are proposed to be issued by the Resulting Company to the shareholders of Demerged Company as consideration for the proposed transfer of undertakings through demerger.

The Valuers have valued the Resulting Company's shares on Market Price Method based on the volume weighted average market price of DIL for the period of 6 months preceding March 22, 2016 (being the date on which notice was given to stock exchanges about consideration of proposed Scheme) as per the data available on National Stock Exchange of India Limited.

The shares of Demerged Company are valued on Market Multiple Approach. The Enterprise Value arrived at using market multiple as at 31.03.2015 is adjusted for certain material changes and Debt - Cash changes post 31.03.2015.

6.3 Analysis of the Valuation

While forming our opinion, we performed certain procedures and made certain enquiries with DTPL / DIL. Some of the procedures / activities performed and the findings are mentioned below:

- Noted that the scheme involves transfer of Demerged Undertaking from DTPL to DIL wherein shares are proposed to be issued by the Resulting Company to the shareholders of Demerged Company.
- Upon perusal of the segmental Balance Sheet and Profit & Loss account, it is observed that the Demerged Undertaking represents substantially the whole of the business of the Demerged Company.
- The valuation methodology adopted for valuing DTPL based on Market Multiple method seems fair. It is further noted that certain discounts



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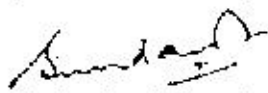
have been applied on the market multiples so derived considering unlisted nature of DTPL.

- The valuation methodology adopted for valuing DIL is based on Volume Weighted Average Market price for 6 months from March 22, 2016. Since the shares of DIL are publically traded this seems fair, although, the valuation of DIL based on reported financials could be much lower.
- Noted that the appointed date for the proposed scheme of Arrangement is April 01, 2015 and the valuation is carried out based on financials of the companies as at March 31, 2015 after considering certain events for the respective companies till date, which would have a material impact on the position of the assets and liabilities of the companies.
- Noted that the relative valuation of companies derived as aforesaid is divided by the current number of equity shares of the two companies to arrive at the value per share which adjusts the values on fully diluted basis.
- Management of DTPL has confirmed to us that the values of assets and liabilities appearing in the Balance Sheet as at 31.03.2015 reflect their fair value as on that date and the values appearing in provisional financials for year ended 31.03.2016 are true and fair and the same shall not deviate materially from the audited figures.

7. Opinion

Based upon and subject to the foregoing, we are of the opinion on the date hereof, that the valuation including the Exchange ratio of equity shares of DTPL and DIL recommended by the Valuers for the proposed Scheme of Arrangement for Demerger is fair.

For Arthant Capital Markets Limited
(Merchant Banking Division)



Authorized Signatory.
(SEBI REGN. No. INM 000011070)

