



RBSA Capital Advisors LLP

*SEBI Registered Category 1 Merchant Banker
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April 26, 2016

Report Ref No: RCA/MUM/FAS/2016-17/0003

**The Board of Directors,
Elecon Engineering Company Limited**
Anand Sojitra Road,
Vallabh Vidyanagar – 388120
Gujarat, India

Dear Sirs,

Sub: Fairness Opinion on Share Swap Ratio for proposed Amalgamation of Elecon EPC Projects Limited into Elecon Engineering Company Limited

We understand that the Board of Directors of Elecon Engineering Company Limited are considering Amalgamation of Elecon EPC Projects Limited (hereinafter referred to as “Elecon EPC” or “Transferor Company”) into itself pursuant through Scheme of Amalgamation under Section 391 – 394 of the Companies Act, 1956 and other applicable and notified provisions of the Companies Act 2013.

In order to comply with the requirements of regulations, Elecon Engineering Company Limited (hereinafter referred to as “Elecon” or “Transferee Company”) has appointed Haribhakti & Co. LLP and SSPA & Co. (the “Valuers”) for the said transaction.

RBSA Capital Advisors LLP (“RBSA” or “We” or “Us”) has been requested to provide a fairness opinion on the Share Swap Ratio to the equity shareholders of Elecon as recommended by the Valuers.

Company Profile:

Elecon is a public listed company incorporated under the provisions Companies Act, 1956 in the State of Gujarat and having its registered office at Anand-Sojitra Road, Vallabh Vidyanagar – 388120, Gujarat. Transferee Company is engaged in the business of manufacturing industrial geared motors and reducers, mining equipment, casting processes, material handling equipment etc. The equity shares of Transferee Company are listed on BSE Limited (“BSE”) and The National Stock Exchange of India Limited (“NSE”).

As at December 31 2015, the issued, subscribed and paid up equity share capital of Elecon is INR 2,178.72 lacs; consisting of 108,935,843 equity shares of face value of INR 2 each fully paid up.

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Elecon EPC is a public limited company incorporated under the provisions of Companies Act, 1956 in the State of Gujarat and having its registered office at Anand-Sojitra Road, Vallabh Vidyanagar – 388120, Gujarat. Transferor Company is engaged in the business of providing engineering, procurement, construction and project management services. The company manufactures all types of bulk material handling equipment.

As at December 31 2015, the issued, subscribed and paid up equity share capital of Elecon EPC is INR 44.66 lacs, consisting of 446,609 equity shares of face value of INR 10 each fully paid up. The company has also issued 12,732,000 preference shares of face value of INR 100 each fully paid up; which are held by Elecon.

We understand that the Draft Scheme envisages the amalgamation of Elecon EPC into Elecon, resulting in consolidation of the business in one entity and strengthening the position of the merged entity, by enabling it to harness and optimize the synergies of the two companies.

Sources of Information:

For arriving at the fairness opinion set forth below, we have relied upon the following sources of information as provided to us by Elecon:

1. Annual Report of Elecon and Elecon EPC for financial year 2014-2015.
2. Unaudited Financial Statements of Elecon and Elecon EPC for 9 months ending December 31, 2015.
3. Draft Scheme of Amalgamation u/s 391 to 394 of Companies Act, 1956 and other applicable provisions of the Companies Act, 1956 and Companies Act, 2013.
4. Report on the share swap ratio recommended by the Valuers based on their joint report dated April 26, 2016.

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

Our Opinion:

As per the joint report, the Valuers have recommended the following share swap ratio:
37 equity shares of face value INR 2 of Elecon Engineering Company Limited for every 2 shares of INR 10 per share of Elecon EPC Limited.





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Pursuant to amalgamation:

- The investment in preference share capital of Elecon EPC held by Elecon, would stand cancelled.
- The equity shares held by Elecon in Elecon EPC will be cancelled;
- Remaining equity shareholders of Elecon EPC will be issued equity shares of Elecon as consideration for the proposed amalgamation

Based on and subject to foregoing we are of the opinion that, as of the date hereof, the share swap ratio is fair to the equity shareholders of Elecon Engineering Company Limited.

Exclusions and Limitations:

We have not carried out any due diligence or independent verification or validation of such information to establish its accuracy or sufficiency. We have not conducted any independent appraisal of any assets or liabilities of Elecon or Elecon EPC.

Our work did not constitute a validation of the financial statements of the Companies, and accordingly, we do not express any opinion on the same. If there were any omissions, inaccuracies or misrepresentations of the information provided by the Management, it may have a material effect on our findings.

No consideration has been given to liens or encumbrances against the assets, beyond the loans and disclosed in the accounts. Therefore no liabilities have been assumed for matters of legal nature.

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, limitations, restrictions or condition will be imposed that would have an adverse effect on the Transferee Company.

This opinion is based on business, economic, market and other conditions as they existed as of April 26, 2016. Subsequent events or circumstances that could affect the conclusions set forth in the Opinion include, without limitation, adverse changes in industry performance or market conditions and changes to the business, financial condition and results of operations of the Company. RBSA is under no obligation to update, revise or reaffirm the Opinion.





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The Opinion is intended solely for the information of the person or persons to whom it is addressed, solely for the purposes in connection with proposed Amalgamation of Elecon EPC Projects Limited into Elecon Engineering Company Limited and may not be relied upon by any other person or for any other purpose. RBSA has relied upon the Company's representations that the information provided by it, or on its behalf, is accurate and complete in all material respects. While all public information (including industry and statistical information) was obtained from sources we believe are reliable, RBSA makes no representation as to the accuracy or completeness thereof, and we have relied upon such public information without further verification.

The opinion should not be construed, to be investment advice in any manner whatsoever. Furthermore, no opinion, counsel or interpretation is intended in matters that require legal, accounting, tax or other appropriate professional advice. It is assumed that such opinions, counsel or interpretations have been or will be obtained from the appropriate professional sources.

The fee for our services is not contingent upon the results of the proposed amalgamation. This opinion is subject to laws of India.

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 Scheme or any matter related thereto.

For **RBSA Capital Advisors LLP**


Gautam Mirchandani
Authorized Signatory and Group Director

