

Welspun Projects Limited and Welspun Enterprises Limited

Fairness Opinion Certificate on the share swap ratio of Welspun
Enterprises Limited and Welspun Projects Limited provide by Price
Waterhouse Coopers

November 04, 2014



SBI Capital Markets Limited

202, Maker Tower 'E'

Cuffe Parade, Mumbai – 400 005



Disclaimer Notice

This fairness opinion certificate ("Certificate" or "This certificate" or "this certificate") contains proprietary and confidential information regarding Welspun Projects Limited ("the Company"). This certificate is issued for the exclusive use and benefit of the Board of Directors of Welspun Projects Limited (WPL), Welspun Enterprises Limited (WEL), Welspun Infratech Limited (WITL), Welspun Plastics Private Limited (WPPL) and Welspun Infra Projects Private Limited (WIPPL) as per the Engagement letter dated November 1, 2014. This certificate has been issued by SBI Capital Markets Limited ("SBICAP"), on the basis of the information available in the public domain and sources believed to be reliable and the information provided by the Company including the valuation report provided by Price Waterhouse Coopers and for the sole purpose to facilitate the Company to comply with clause 24(h) of the listing agreement as on November 4, 2014 and it shall not be valid for any other purpose or as at any other date. This certificate is issued by SBICAP without regard to specific objectives, suitability, financial situations and needs of any particular person and does not constitute any recommendation, and should not be construed as an offer to sell or the solicitation of an offer to buy, purchase or subscribe to any securities mentioned therein, and neither this document nor anything contained herein may form the basis of or be relied upon in connection with any contract or commitment whatsoever. This document does not solicit any action based on the material contained herein. Nothing in these materials is intended by SBICAP to be construed as legal, accounting, technical or tax advice. Past performance is not a guide for future performance. Forward-looking statements are not predictions and may be subject to change without notice. Actual results may differ materially from these forward-looking statements due to various factors. This certificate has not been or may not be approved by any statutory or regulatory authority in India or by any Stock Exchange in India. This certificate may not be all inclusive and may not contain all of the information that the recipient may consider material.

We have not undertaken the valuation of WPL, WEL, WITL, WPPL and WIPPL. The valuation exercise, for the purpose of calculation of swap ratio for the equity shares of WPL and WEL has been done by Price Waterhouse Coopers (PWC). We have examined the Valuation Report submitted by PWC dated November 4, 2014 to the Company. We have not checked or verified the assumptions made by PWC. We have reviewed the historical financial and business information provided by the Company, listed stock price data of the Company and certain comparable companies and their valuation multiples, and other relevant information from publicly available sources, and have taken into account such other matters as we deemed necessary including our assessment of general economic, market and monetary conditions.

In addition to the above, we have had discussions with the Company officials on the past and current business operations of the businesses concerned. We assume no responsibility for the legal, tax, accounting or structuring matters including, but not limited to, legal or title concerns.

We have assumed and relied upon, without independent verification, the accuracy and completeness of all information supplied or otherwise made available to us either in oral or written form, discussed with or reviewed by or for us, or publicly available. We have been informed that all information relevant for the purpose of issuing the Fairness Opinion Certificate has been disclosed to us and we are not aware of any material information that has been omitted or that remains undisclosed. This being so, no representation or warranty, express or implied, is or will be made, and no responsibility or liability is or will be accepted by SBICAP and its affiliates, its directors, employees, agents or representatives, or in relation to, the accuracy or adequacy of information, contained in the Fairness Opinion Report or any other written or oral information made available to any party or their advisors.

We have not conducted any evaluation of the solvency or fair value of the Company, under any laws relating to bankruptcy, insolvency or similar matters. We have assumed and relied upon the truth, accuracy and completeness of the information, data and financial terms provided to us or publicly available; we have assumed that the same are not misleading and do not assume or accept any liability or responsibility for any independent verification of such information or any independent technical valuation or appraisal of any of the assets, operations or liabilities of WPL, WEL, WITL, WPPL and WIPPL. We have not assumed the risk of any material adverse change having an impact on the business of WPL, WEL, WITL, WPPL and WIPPL.

We express no view as to, and our Fairness Opinion Report does not address, the underlying business decision of any company to effect the Proposed Transaction or the merits of the Proposed Transaction nor does it constitute any kind of recommendation to any shareholders or creditors of WPL, WEL, WITL, WPPL and WIPPL as regards to the Proposed Transaction or any matter related thereto. The fairness opinion of SBICAP under this certificate is not intended to and does not constitute a recommendation to any shareholders as to how such shareholders should vote or act in connection with



the scheme or any matter related therein. In addition, this Fairness Opinion Certificate does not address the fairness to, or any other consideration of, the holders of any class of securities, creditors or other constituencies of WPL and WEL. Our Fairness Opinion Certificate, as set forth herein only relates to the valuation of WPL, WEL, WITL, WPPL and WIPPL and the share swap ratio. We are not expressing any suggestion or opinion herein as to the price at which the shares of WEL and WPL will trade following the announcement of consummation of the Proposed Transaction or as to the prices at which the shares of WEL and WPL may be transacted.

Our opinion is not, nor should it be construed as our opining or certifying the compliance of the proposed arrangement with the provisions of any law including company law, taxation and capital market related laws or as regards any legal implications or issues arising thereon.

Our Fairness Opinion Report is not and does not purport to be an appraisal or otherwise reflective of the prices at which any business or securities actually could be ideally bought or sold by any party and is not indicative of actual value or actual future results that might be achieved, which value may be higher or lower than those indicated, and any investment decision shall not be based solely on this Fairness Opinion Report and the buyer shall carry out its own due diligence.

Our Fairness Opinion Report is necessarily based on economic, market and other conditions as in effect on the date of issuing this Fairness Opinion Report, and the information made available to us as of, the date hereof, including the capital structure of WPL, WEL, WITL, WPPL and WIPPL. It should be understood that in case of any subsequent developments, we do not have any obligation to update, revise, or reaffirm this Fairness Opinion Report.

In the ordinary course of business, we and our affiliates may actively trade or hold securities of the Company that may be the subject matter of this Proposed Transaction for our own account or for the account of our customers and accordingly, may at any time hold long or short position in such securities.

This Fairness Opinion Report may not be used or relied upon by, or disclosed, referred to or communicated by the Company (in whole or in part) to any third party for any purpose whatsoever except with our prior written consent in each instance, unless the Company is required to do so by law or by any government authority. For the avoidance of doubt, it is clarified that the Company shall have the discretion to publish and disclose the Fairness Opinion on the Company's website, on the stock exchanges, to its shareholders and for such other statutory and regulatory purposes as the Company may deem fit.

This Fairness Opinion Report is only an opinion and does not constitute a commitment by SBICAP to underwrite, subscribe for or place any securities or to extend or arrange credit or to provide any other services.

Disputes, if any, regarding this Fairness Opinion Report will be governed by and construed in accordance with the laws of India and the Courts in Mumbai, India shall have exclusive jurisdiction in this regard.

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1. Background

1.1. About Welspun Enterprises Limited

Welspun Enterprises Limited (WEL) is a part of the US\$ 3.5 billion Welspun Group. WEL is a trading/operating and holding Company formed through the de-merger of Welspun Corp Limited. The DRI/Steel, Infrastructure, Oil & Gas exploration and Energy businesses which were earlier under Welspun Corp Limited's umbrella is now a part of WEL.

The Company's is into trading of commodities, majorly into steel & cotton. WEL is present in various verticals through its subsidiaries and equity investments. WEL is present in the BOOT/EPC space through Welspun Projects Limited. It has presence in Oil & Gas exploration business, through Welspun Plastics Private Limited and Welspun Natural Resources Private Limited. WEL holds a minority equity stake in Welspun Energy Private Limited, which is into renewable energy.

WEL sold its 100% stake in Welspun Maxsteel Limited, a manufacturer of sponge iron, to JSW in Aug 2014

1.2. About Welspun Projects Limited

Welspun Projects Ltd. (WPL), formerly known as MSK Projects (India) Ltd., is part of \$3.5 Billion Welspun Group. WPL has a successful execution track record of 35 years. The Company has executed infrastructure projects – highways, bridges, industrial, residential and commercial buildings. In the highway sector, the Company has completed six BOT (Toll) Road projects with a total length of over 500 km and a capital expenditure of over US \$ 200 million. One of the projects is the 142.6 km long Dewas-Bhopal Corridor linking Bhopal and Dewas on SH 18 in the state of Madhya Pradesh on BOT Toll Basis. The Company has also forayed into the construction and development of water supply and distribution projects & urban infrastructure. Till date WPL has completed six BOT Road project, two Bus Terminal and one Water project.

1.3. Transaction Overview

- Welspun Projects Limited (Called "Transferee Company") is contemplating merger of Welspun Enterprises Limited, Welspun Infratech Limited, Welspun Plastics Private Limited and Welspun Infra Projects Private Limited (Collectively called "Transferor Companies") with itself
- The proposed amalgamation is being evaluated under a scheme of Arrangement under the provisions of Sections 391-394 read with Sections 100 to 103 of the Companies Act, 1956
- Welspun Infratech Limited (WITL) is a wholly owned subsidiary of WEL, while Welspun Plastics Private Limited (WPPL) is a step-down subsidiary of WEL. Welspun Infra Projects Private Limited (WIPPL) is a wholly owned subsidiary of WITL
- Under the scheme, the shareholders of WEL will be allotted shares of the Transferee Company based on fair valuation of both the parties. Since WITL, WPPL and WIPPL are direct or indirect subsidiaries of WEL, no new shares is required to be issued to shareholders of WITL, WPPL and WIPPL in consideration of the amalgamation with WPL
- The appointed date for the proposed amalgamation is April 1, 2014



1.4. Role of SBI Capital Markets

Through Engagement letter dated November 1st, 2014, SBI Capital Markets Limited (SBICAP) was appointed by Welspun Projects Limited to issue fairness opinion certificate as required under clause 24(h) of the Listing Agreement. The certificate has been issued on the valuation report provided by an independent valuer, Price Waterhouse Coopers Limited ("PWC").

1.5. Sources of information

- Proposed scheme of arrangement between Welspun Enterprises Limited, Welspun Infratech Limited, Welspun Plastics Private Limited, Welspun Infra Projects Private Limited and Welspun Projects Limited
- Annual Reports of Welspun Enterprises Limited, Welspun Infratech Limited, Welspun Plastics Private Limited, Welspun Infra Projects Private Limited, Welspun Energy Private Limited and Welspun Projects Limited
- Limited Review results of Welspun Infratech Limited, Welspun Plastics Private Limited, Welspun Energy Private Limited and Welspun Infra Projects Private Limited for six months ended September 30, 2014
- Limited Review results of Welspun Enterprises Limited and Welspun Projects Limited for 3 months ended June 30, 2014
- Other information and representations received from the Company
- Valuation Report provided by PWC dated November 4, 2014, provided by the Management of Welspun Projects Limited
- Bloomberg, BSE and NSE websites

2. SBICAP view on the fairness of the exchange ratio

WEL and WPL are listed companies with the shares being traded at the BSE and NSE whereas Welspun Infratech Limited, Welspun Plastics Private Limited and Welspun Infra Projects Private Limited are unlisted entities.

PWC has used Volume Weighted Average Market Price and Sum of Total Parts (under which it has used a combination of Market Multiple Approach, Net Asset Value (NAV) and Discounted Cash Flow (DCF) methods) to arrive at the fair value of WEL and WPL.

The share entitlement ratio of Equity Shares for the merger of WEL into WPL, as arrived at by PWC, is 12 (Twelve) equity shares of WPL of INR 10 each fully paid up for every 1 (One) equity share of WEL of INR 10 each fully paid up.

By accepting a copy of this certificate, the recipient accepts the terms of this Disclaimer Notice, which forms an integral part of this certificate.

On the basis of and subject to the foregoing, to the best of our knowledge and belief, it is our view that, as of the date hereof, the proposed share valuation is fair, from a financial point of view.

For SBI Capital Markets Limited

Apurva



Apurva Kumar
Assistant Vice President,
Capital Markets Group, Mumbai

Date: 04/11/2014

