

KEYNOTE

November 09, 2017

The Board of Directors

Pennar Industries Limited
3rd Floor, DHFLVC Silicon Towers,
Kondapur, Hyderabad – 500 084
Telangana, India

Pennar Enviro Limited
Plot No. 186/A, IDA Mallapur,
Hyderabad – 500076
Telangana, India

Pennar Engineered Building Systems
9th Floor, DHFLVC Silicon Towers,
Kondapur, Hyderabad - 500 084
Telangana, India

Dear Sir/Madam,

Reg: Fairness Opinion on the Share Entitlement Ratio for the Proposed Merger of Pennar Engineered Building Systems ("PEBS") and Pennar Enviro Limited ("PEL") with Pennar Industries Limited ("PIL").

Keynote Corporate Services Limited ("Keynote" or "we" or "us") is Category I Merchant Banker registered with Securities Exchange Board of India ("SEBI"). We have been requested to suggest fairness of the Share Entitlement ratio for the issue of the Proposed Merger with respect to Scheme of Amalgamation between Pennar Industries Limited, Pennar Enviro Limited and Pennar Engineered Building Systems. We have perused the documents/ information provided by you in respect of the said Scheme of Amalgamation and the Valuation Report as issued by Walker Chandio & Co LLP (*hereafter referred to as "WC LLP"*) dated November 9, 2017 and state as follows:

Company Profile:

Pennar Industries Limited, incorporated in 1988, is a BSE & NSE listed engineering organization that provides engineered products and services. Pennar manufactures cold rolled steel strips, precision tubes, cold rolled formed sections, ESP electrodes, profiles, railway wagon and coach components, solar structures, storage solutions, pressed steel components and road safety systems, etc. serving various segments like Infrastructure, Automobiles, Energy, General Engineering, etc. PIL has pan-India presence with manufacturing facilities in Patancheru, Isnapur, Sadashivpet, Tarapur, Mallapur, Chennai and Hosur. PIL has three subsidiaries, namely, Pennar Engineered Building Systems ("PEBS") engaged in the design, manufacture, supply and installation of pre-engineered steel buildings and building components, Pennar Enviro Limited ("PEL") operates in waste water treatment, fuel additives, etc and Pennar Renewables Limited ("P Renew"), engaged in commercial generation of solar power.



Page 1 of 5

Keynote Corporate Services Limited

The Ruby, 9th Floor, Senapati Bapat Marg, Dadar (West), Mumbai - 400028
Tel.: 91 22 3026 6000 • Fax: 91 22 3026 6085 • Email: info@keynoteindia.net • Website: www.keynoteindia.net
CIN-L67120MH1993PLC072407

KEYNOTE

Pennar Engineered Building Systems, is a BSE & NSE listed entity and is primarily engaged in designing, fabricating and installing pre-engineered steel buildings, supplying structural steel and components for manufacturing industries, warehouses, aircraft hangars, commercial buildings, high-rises, metro stations, stadiums and power plants, among others. It is also engaged in designing, fabricating and installing solar module mounting structures, telecom transmission towers and cold-form buildings for low-cost housing projects

Pennar Enviro Limited, incorporated in 1992, operates in the field of fuel additives, waste water treatment, among others. PEL deals with Water and Environment Infrastructure business to provide turnkey solutions viz., Water Treatment Plants (WTPs), Sewage Treatment Plants (STPs), Effluent Treatment Plants (ETPs), Effluent Recycling Plants (ERPs), Zero Liquid Discharge Plants (ZLDs), etc. PEL is pioneer in the field of additives, supplying specific premium high technology additives based on fuel characteristic requirements and specific performance enhancements. PEL is also the authorized manufacturer and marketer of Elf Fuel Oil Additives. PEL has a manufacturing facility in Mallapur, Telangana.

Transaction background: Pennar Industries Limited (parent company) currently holds ~54% in PEBS (listed subsidiary) and ~51% in PEL (unlisted subsidiary). PIL proposes to merge PEBS and PEL into itself by acquiring the remaining ~46% stake in PEBS and ~49% stake in PEL by issuing its shares to the respective shareholders ("Transaction").

Rationale of the Report:

We have been informed that, pursuant to a Scheme of Amalgamation under sections 230 to 232 read with other relevant provisions of the Companies Act, 2013 (hereinafter referred to as "the Scheme") and subject to necessary approvals, PEBS & PEL would be merged into PIL.

In this regard, we have been requested to suggest fairness on the Share Entitlement ratio for the issue of equity shares of PIL to the shareholders of PEBS and PEL for the purpose of the Proposed Merger.

Sources of Information:

For arriving at the fairness opinion set forth below, we have relied upon the following sources of information:

- Valuation Report by WC LLP, dated November 9, 2017;
- Historical Financial statements of the PIL, PEL, P Renew and PEBS for the year ended March 31, 2017. Unaudited financial statements of PIL, PEL and PEBS for Q2 FY18.
- Projected Financials of PIL (FY17-22), PEL (FY17-20) and PEBS (FY17-20);
- Draft Scheme of Amalgamation;
- Other relevant information/documents regarding PIL, PEBS and PEL including information available through public domain

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



Keynote Corporate Services Limited

The Ruby, 9th Floor, Senapati Bapat Marg, Dadar (West), Mumbai - 400028

Tel: 91 22 3026 6000 • Fax: 91 22 3026 6088 • Email: info@keynoteindia.net • Website: www.keynoteindia.net

CIN-L67120MH1993PLC072407

Private and Confidential

KEYNOTE

Our Recommendation:

As stated in the Valuation Report, WC LLP has recommended the following:

Merger of PEBS into PIL: 23 (Twenty Three) equity shares of PIL of INR 5 each fully paid up for 13 (Thirteen) equity shares of PEBS of INR 10 each fully paid up.

Merger of PEL into PIL: 1 (One) equity share of PIL of INR 5 each fully paid up for every 1 (One) equity share of PEL of INR 10 each fully paid up.

The aforesaid Amalgamation shall be pursuant to the Draft Scheme of Amalgamation and shall be subject to receipt of approval from the National Company Law tribunal and other statutory approvals as may be required. The detailed terms and conditions of the merger are more fully set forth in the Draft Scheme of Amalgamation. Keynote has issued the fairness opinion with the understanding that Draft Scheme of Amalgamation shall not be materially altered and the parties hereto agree that the Fairness Opinion would not stand good in case the final Scheme of Amalgamation alters the transaction.

Based on the information, data made available to us, including the Valuation Report, to the best of our knowledge and belief, the valuation as suggested by WC LLP, proposed under the Scheme of Amalgamation is fair in our opinion.

Exclusions and Limitations:

We have assumed and relied upon, without independent verification, the accuracy and completeness of all information that was publicly available or provided or otherwise made available to us by PIL, PEBS and PEL for the purpose of this opinion. With respect to the estimated financials provided to us by the managements of PIL and PEBS, we have assumed that such financials were prepared in good faith and reflect the best currently available estimates and judgments by the managements of PIL and PEBS. We express no opinion and accordingly accept no responsibility with respect to or for such estimated financials or the assumptions on which they were based. Our work does not constitute an audit or certification or due diligence of the working results, financial statements, financial estimates or estimates of value to be realized for the assets of PIL and PEBS. We have solely relied upon the information provided to us by PIL and PEBS. We have not reviewed any books or records of PIL, PEBS and PEL (other than those provided or made available to us). We have not assumed any obligation to conduct, nor have we conducted any physical inspection or title verification of the properties or facilities of PIL, PEBS and PEL and neither express any opinion with respect thereto nor accept any responsibility therefore. We have not made any independent valuation or appraisal of the assets or liabilities of PIL and PEBS. We have not reviewed any internal management information statements or any non-public reports, and, instead, with your consent we have relied upon information which was publicly available or provided or otherwise made available to us by PIL, PEBS and PEL for the purpose of this opinion. We are not experts in the evaluation of litigation or other actual or threaten claims and hence have not commented on the effect of such litigation or claims on the valuation. We are not legal, tax, regulatory or actuarial advisors. We are financial advisors only and have relied upon, without independent verification, the assessment of PIL,



Page 3 of 5

Keynote Corporate Services Limited

The Ruby, 9th Floor, Senapati Bapat Marg, Dadar (West), Mumbai - 400028

Tel.: 91 22 3026 6000 • Fax: 91 22 3026 6088 • Email: info@keynoteindia.net • Website: www.keynoteindia.net

CIN-L67120MH1993PLC072407

KEYNOTE

PEBS and PEL with respect to these matters. In addition, we have assumed that the Draft Scheme of Amalgamation will be approved by the regulatory authorities and that the proposed transaction will be consummated substantially in accordance with the terms set forth in the Draft Scheme of Amalgamation.

We understand that the managements of PIL, PEBS and PEL during our discussion with them would have drawn our attention to all such information and matters which may have an impact on our analysis and opinion. We have assumed that in the course of obtaining necessary regulatory or other consents or approvals for the Draft Scheme of Amalgamation, no restrictions will be imposed that will have a material adverse effect on the benefits of the transaction that PIL, PEBS and PEL may have contemplated. Our opinion is necessarily based on financial, economic, market and other conditions as they currently exist and on the information made available to us as of the date hereof. It should be understood that although subsequent developments may affect this opinion, we do not have any obligation to update, revise or reaffirm this opinion. In arriving at our opinion, we are not authorized to solicit, and did not solicit, interests for any party with respect to the acquisition, business combination or other extra-ordinary transaction involving PIL, PEBS and PEL or any of its assets, nor did we negotiate with any other party in this regard.

We have acted as financial advisors to PIL, PEBS and PEL for providing a fairness opinion on the proposed transaction and will receive professional fees for our services.

In the ordinary course of business, Keynote is 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 Keynote 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 transaction.

The Fairness Opinion is addressed only to the Board of Directors of PIL & PEBS and is for the purpose of submission to the Stock Exchanges under the SEBI Circular. Further, the Fairness Opinion may be disclosed on the website of PIL & PEBS and the Stock Exchanges and also be made part of the explanatory statement to be circulated to the shareholders and/ or creditors of the Company. The Fairness Opinion should be read in totality and not in parts. The Fairness Opinion shall not otherwise be disclosed or referred to publicly or to any other third party without Keynote's prior written consent. If this Fairness Opinion is used by any person other than whom it is addressed or for any purpose other than the purpose state hereinabove, then we will not be liable for any consequences thereof.

We express no opinion whatsoever and make no recommendation at all as to PIL and PEBS's underlying decision to effect to the proposed transaction or as to how the holders of equity shares or preference shares or secured or unsecured creditors of PIL, PEBS and PEL should vote at their respective meetings held in connection with the transaction. We do not express and should not be deemed to have expressed any views on any other terms of transaction. We also express no opinion and accordingly accept no responsibility for or as to the prices at which the equity shares of PIL will trade following the announcement of the transaction or as to the financial performance of PIL, PEBS and PEL following the consummation of the transaction.

In no circumstances however, will Keynote Corporate Services Limited or its associates, directors or employees accept any responsibility or liability to any third party and in the unforeseen event of any such

Je



Keynote Corporate Services Limited

The Ruby, 9th Floor, Senapati Bapat Marg, Dadar (West), Mumbai - 400028

Tel.: 91 22 3026 6000 • Fax: 91 22 3026 6098 • Email: info@keynoteindia.net • Website: www.keynoteindia.net

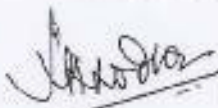
CIN-L67120MH1993PLC072407

Private and Confidential

KEYNOTE

responsibility or liability being imposed on Keynote Corporate Services Limited or its associates, directors or employees by any third party, PIL, PEBS and their affiliates shall indemnify them.

For KEYNOTE CORPORATE SERVICES LTD



Nipun Lodha

Executive Vice-President & Head - Corporate Finance

SEBI Registration No. INM000003606

(Merchant Banker)



Page 5 of 5

Keynote Corporate Services Limited

The Ruby, 9th Floor, Senapati Bapat Marg, Dadar (West), Mumbai - 400028

Tel.: 91 22 3026 6000 • Fax: 91 22 3026 6088 • Email: info@keynoteindia.net • Website: www.keynoteindia.net

CIN-L67120MH1993PLC072407

