

February 23, 2016

The Board of Directors
Dishman Pharmaceuticals & Chemicals Limited
 Bhadr-Raj Chambers,
 Swastik Cross Road, Navrangpura,
 Ahmedabad – 380009, Gujarat

Dear Members of the Board,

Centrum Capital Ltd have been informed that the Board of Directors of Dishman Pharmaceuticals & Chemicals Ltd ("**DPCL**"), Dishman Care Ltd ("**DCL**") and Carbogen Amcis (India) Ltd ("**CAIL**") are considering Scheme of Arrangement & Amalgamation with effect from the **Appointed Date of January 1st 2015**

This Scheme of Arrangement & Amalgamation ("**Scheme**") provides for:

- (i) Transfer and vesting of ETP Undertaking (as defined hereinafter) of DPCL into CAIL by way of Slump Sale (as defined hereinafter)
- (ii) Amalgamation of DCL with DPCL pursuant to Sections 391 to 394 and other applicable provisions of the Companies Act, 1956
- (iii) Amalgamation of DPCL with CAIL pursuant to Sections 391 to 394 and other applicable provisions of the Companies Act, 1956
- (iv) Subject to satisfactory fulfilment and accomplishment of (i),(ii) and (iii) above, reduction in the share capital of DCL & DPCL under the provisions of Sections 100-104 of the Companies Act, 1956.
- (v) Subject to satisfactory fulfilment and accomplishment of (i),(ii),(iii) and (iv) above, change of name of CAIL to Dishman Carbogen Amcis Limited.

The total consideration for transfer of the ETP undertaking of DPCL to CAIL shall be Rs.15 Crs.

No consideration for amalgamation of DCL with DPCL as DCL is a wholly owned subsidiary of DPCL & hence upon the Scheme being effective and dissolution of DCL the equity shares held by DPCL in DCL shall be cancelled and stand extinguished.

The consideration for amalgamation of DPCL into CAIL shall be "**1 (One) Equity Share of the face value of Rs.2/- each of CAIL, for every 1 (One) Equity Share of the face value of Rs.2/- each held in DPCL**"

In connection with the aforesaid DPCL has appointed Centrum Capital Ltd ("**Centrum**") to provide fairness opinion on Valuation report dated February 23, 2016 submitted by M/s Sharp and Tannan, Chartered Accountants ("**Valuer**") an Independent Chartered Accountant with respect to the Scheme of Arrangement & Amalgamation

BACKGROUND

Dishman Pharmaceuticals and Chemicals Limited: DPCL is a public company limited by shares incorporated in 1983 under the provisions of the Companies Act, 1956. The issued & paid up equity share capital of DPCL as on 31st December 2015 was Rs. 16,13,94,272 divided into 8,06,97,136 equity shares of Rs. 2/- each and listed on BSE Ltd. and National Stock Exchange of India Limited.

The company is engaged in following

- Contract Research and Manufacturing Services
- Manufacture and supply of marketable molecules such as specialty chemicals, vitamins & chemicals and disinfectants

Dishman Care Ltd: DCL is a limited non-listed company, incorporated in 2010. It is a wholly owned subsidiary of DPCL with its registered office in Bhadr-Raj Chambers, Swastik Cross Road, Navrangpura, Ahmedabad - 380009, Gujarat. The issued & paid-up equity share capital of DCL as on 31st December 2015 was Rs. 5,00,000 divided into 250,000 equity shares of Rs. 2/- each.

The company is engaged in engaged in market research, development and marketing of disinfectant products to be manufactured by Dishman Pharmaceuticals and Chemicals Limited.

Carbogen Amcis (India) Ltd: CAIL is a limited non-listed company incorporated in 2007. It is a wholly owned subsidiary of DPCL with its registered office in Bhadr-Raj Chambers, Swastik Cross Road, Navrangpura, Ahmedabad - 380009, Gujarat. The issued & paid-up equity share capital of CAIL as on 31st December 2015 was Rs. 5,00,000 divided into 250,000 equity shares of Rs. 2/- each

The company is engaged in engaged in research and development, including regulatory filings of certain pharmaceutical molecules for some of the overseas subsidiaries of Dishman Pharmaceuticals and Chemicals Limited

ETP Undertaking shall mean DPCL's undertaking, business, activities and operations pertaining to its Water Treatment Systems - Effluent Treatment Plants ("ETP") for treatment of Low COD (Chemical Oxygen Demand) waste at Bavla, ETP for treatment of High COD waste at Bavla (termed as Zero Discharge System) and ETP for treatment of Low COD waste at Naroda, and shall also include but not limited to the following:

- All assets (wherever situated), whether movable or immovable including land and building, capital work in progress, tangible or intangible, real or personal, corporeal and incorporeal, including furniture, fixtures, vehicles, stocks and inventory, office equipment, appliances, accessories, unquoted investments, leasehold assets, easements and other properties, in possession or reversion, present and contingent assets (whether tangible or intangible) of whatsoever nature, together with all present and future liabilities (including contingent liabilities, if any) pertaining to the ETP Undertaking;
- All rights, entitlements, approvals, licenses, consents, permissions, brands, logos, engagements, arrangements, municipal permissions belonging to or proposed to be utilized for the ETP Undertaking;
- All secured and unsecured debts, liabilities (including contingent liabilities), duties, undertakings and obligations pertaining to the ETP business of every kind, nature and description whatsoever and howsoever arising in connection with or relating to the ETP Undertaking;
- All contracts, agreements, licenses, leases, linkages, memoranda of undertakings, memoranda of agreements, memoranda of agreed points, letters of agreed points, agreed term sheets, arrangements, undertakings, whether written or otherwise, deeds, bonds, schemes, arrangements, sales orders, purchase orders, job orders or other instruments of whatsoever nature to which DPCL is a party, exclusively relating to ETP Undertaking,

business, activities and operations pertaining to its ETP Undertaking or otherwise identified to be for the benefit of the same, including but not limited to the relevant licenses, water supply/ environment approvals, and all other rights and approvals, electricity permits, telephone connections, building and parking rights, pending applications for consents or extension, all incentives, tax benefits, deferrals, subsidies, concessions, benefits, grants, rights, claims, liberties, special status and privileges enjoyed or conferred upon or held or availed of by the DPCL in relation to its ETP Undertaking, permits, quotas, consents, registrations, lease, tenancy rights in relation to offices and residential properties, permissions, if any, and all other rights, title, interests, privileges and benefits of every kind in relation to its ETP Undertaking;

- All registrations, trademarks, trade names, service marks, copyrights, patents, designs, domain names, applications for trademarks, trade names, service marks, copyrights, designs and domain names exclusively used by or held for use by the DPCL in ETP Undertaking, business, activities and operations pertaining to the ETP Undertaking;
- All employees of DPCL employed in the ETP Undertaking as identified by the Board of Directors of DPCL, as on the Effective Date;
- All records, files, papers, computer programs, manuals, data, catalogues, quotations, sales and advertising materials, labels lists of present and former customers and suppliers, customer credit information, customer pricing information, and other records, whether in physical form or electronic form in connection with or relating to the ETP Undertaking.

RATIONALE OF THE PROPOSED SCHEME OF ARRANGEMENT & AMALGAMATION

This Scheme is expected to enable better realisation of potential of the businesses of the Companies and yield beneficial results and enhanced value creation for the Companies, their respective shareholders, creditors and employees. The rationale for the proposed Scheme is set out below:

- Consolidation of the business and simplification of the group structure. Further, the amalgamation will provide a high level of synergistic integration of operations and better operational management.
- Through the "One Company, Two Brands" strategy, the group has been delivering complex solutions suiting the diverse needs of the global customers. The proposed Scheme re-emphasises the strategy of "One Company, Two Brands" with both "Dishman" and "Carbogen Amcis" brands being reflected in the trade name of one company.
- Synergies arising out of consolidation of business will lead to enhancement of net worth of the combined business and reflection of true net-worth in the financial statements (as all as assets, tangible and intangible, including those not recorded in the books of the amalgamating company, and liabilities of the amalgamating company shall be taken over by the amalgamated company and recorded at their respective fair values), leading to improved alignment of debt and enhancement in earnings and cash flow.
- The amalgamated company would be able to better leverage on its large networth base and have enhanced business potential and increased capability to offer a wider portfolio of products and services with a diversified resource base and deeper client relationships.

- It would result in financial resources being efficiently merged and pooled leading to more effective and centralised management of funds, greater economies of scale, stronger base for future growth and reduction of administrative overheads (i.e. cost rationalization), which are presently being divided and dissipated between multiple separate entities. The amalgamation shall lead to greater efficiency in management of the businesses, simplicity and reduction in regulatory compliances and cost.
- It will improve and consolidate internal controls and functional integration at various levels of the organisation such as information technology, human resources, finance, legal and general management leading to an efficient organisation capable of responding swiftly to volatile and rapidly changing market scenarios.
- It will facilitate debt consolidation which will improve the debt servicing abilities through improved cash flows.
- It would enhance the value of stakeholders through seamless access to strong corporate relationships and other intangible benefits of DPCL built up over approximately three decades of experience, enhanced scale of operations and sharper focus.

BASIS OF OPINION

The scheme provides for the following

- Slump Sale of the ETP Undertaking from DPCL to CAIL as a going concern; ("Slump Sale"):** Based on the valuation report of the Fair Market value of the assets and liabilities comprised in the ETP Undertaking provided, the value of the ETP Undertaking is Rs. 15 Crs.
- Amalgamation of DCL with DPCL:** As a consideration for amalgamation no new shares will be issued as DCL is a wholly owned subsidiary of DPCL & hence upon the Scheme being effective and dissolution of DCL the equity shares held by DPCL in DCL shall be cancelled and stand extinguished.
- Amalgamation of DPCL with CAIL:** DPCL holds 100% of the paid up capital of CAIL. Hence upon the Scheme being effective and dissolution of DPCL, the equity shares held by DPCL in CAIL shall be cancelled and stand extinguished. As a consideration for the transfer, equity shares of CAIL shall be issued to the equity shareholders of DPCL and the same shall rank pari-passu. The existing equity share capital of CAIL shall be cancelled and the shareholders of DPCL will become the only shareholders of CAIL, thus CAIL will then get a mirror reflection in the capital structure as that of DPCL.

The exchange ratio is based on the Valuation report dated February 23, 2016 submitted by M/s Sharp and Tannan, Chartered Accountants an Independent Chartered Accountant.

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 Swap 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 is 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.

Centrum's opinion and analysis is limited to the extent of review of documents as provided to Centrum by DPCL, DCL and CAIL including the Valuation report dated February 23, 2016, submitted by the Valuer and the draft Scheme

Centrum has relied upon the accuracy and completeness of all information and documents provided including Audited Annual Accounts of DPCL, DCL and CAIL for period FY 2012-13 to FY 2014-15, - limited review financial results of DPCL, audited financial results of DCL and CAIL for nine-month ended December 31, 2015 and Financial Projections as provided by DPCL 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 DPCL and/or its subsidiaries. In particular Centrum does not express any opinion as to the value of any asset of DPCL and/or its subsidiaries whether at current prices or in the future.

No investigation of the Companies claim to title of assets has been made for the purpose of the exercise and the Companies claim to such rights has been assumed to be valid. No consideration has been given to liens or encumbrances against the assets, beyond the loans disclosed in the accounts. 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.

Centrum's opinion is not and should not be construed as Centrum's opining or certifying the compliance of the proposed Arrangement and Amalgamation with the provisions of any law including companies, taxation and related laws or as regards any legal implications or issues arising from such proposed amalgamation.

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. Centrum does not express any opinion as to the price at which shares of DPCL 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 described 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 DPCL 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 consideration for the slump sale and the share exchange ratio for the purpose of amalgamation. We acknowledge that this Fairness Opinion will be shared to the extent as may be required, with relevant High Court/Tribunal, stock exchanges, advisors of the Companies as well as with statutory authorities 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 arrangement and

amalgamation 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 DPCL, 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.

VALUER'S RECOMMENDATION

The total consideration for transfer of the ETP undertaking of DPCL to CAIL shall be Rs.15 Crs

No consideration for amalgamation of DCL with DPCL as DCL is a wholly owned subsidiary of DPCL & hence upon the Scheme being effective and dissolution of DCL the equity shares held by DPCL in DCL shall be cancelled and stand extinguished.

Consideration for amalgamation of DPCL with CAIL will be 1 (One) Equity Share of the face value of Rs.2/- each of CAIL, for every 1 (One) Equity Share of the face value of Rs.2/- each held in DPCL.

OPINION

Having regard to all relevant factors, on the basis of information provided and explanations given to Centrum by the Companies and Valuer, Centrum is of the opinion on the date hereof to the best of its knowledge and belief, that the above recommendation by M/s Sharp & Tannan, Chartered Accountants is fair considering that all shareholders of DPCL are and will upon the Arrangement and Amalgamation be the ultimate beneficial owners of CAIL in exactly the same ratio as they hold in DPCL.

Yours truly,
For Centrum Capital Limited


Gaurav Saravgi
Senior Vice President


Pavan Naik
Assistant Vice President

