



SMC CAPITALS LIMITED

A- 401/402 , Lotus Corporate Park,
Jai Coach Junction,Off Western Express
Highway, Goregaon(E), Mumbai 400063.
Tel : (B) +91-22-66481818
Fax : +91-22-67341697
CIN No. : U74889DL1994PLC063201

September 22, 2020

To,
Board of Directors,

Fortune Industrial Resources Limited 25, Bazar Lane, Bengali Market, New Delhi- 110001	Castle Rock Advisors Private Limited House No. 181, Block-D, Pkt-17 Sector- 03, Rohini, New Delhi- 110085
Indus Netlink Limited 25, Bazar Lane, Bengali Market, Connaught Place, New Delhi- 110001	K2 Infosolutions Private Limited House No. 181, Block-D, Pkt-17 Sector- 03, Rohini, New Delhi- 110085

Dear Sir(s),

Sub: Fairness Opinion in relation to the proposed scheme of amalgamation of Indus Netlink Ltd., Castle Rock Advisors Pvt. Ltd. and K2 Infosolutions Pvt. Ltd. with Fortune Industrial Resources Ltd. and their respective Shareholders and Creditors.

It is a pleasure to attach our Fairness Opinion in relation to the proposed scheme of amalgamation of Indus Netlink Ltd., Castle Rock Advisors Pvt. Ltd. and K2 Infosolutions Pvt. Ltd. with Fortune Industrial Resources Ltd. and their respective Shareholders and Creditors under Section 230 & 232 of the Companies Act 2013.

May you need any further information or clarification on any part of the Fairness Opinion, please feel free to contact us.

Thanking you
For **SMC Capitals Limited**

Authorised Signatory

1. BRIEF BACKGROUND

- 1.1. Indus Netlink Limited (“INL” or “Transferor Company 1”), a public limited company incorporated in 2000 and having its registered office at 25, Bazar Lane, Bengali Market, New Delhi-110 001. INL is engaged in consultancy and other related activities. It has been informed to us that INL has deployed its idle funds in securities investments. INL is a closely held unlisted company.
- 1.2. Castle Rock Advisors Private Limited (“CRAPL” or “Transferor Company 2”), a private limited company incorporated in 2007 and having its registered office at House No. 181, Block-D, Pocket-17, Sector-3, Rohini, New Delhi-110 085. CRAPL is engaged in consultancy services, commission agency business and other related activities. It has been informed to us that CRAPL has deployed its idle funds in securities investments. CRAPL is a closely held unlisted company.
- 1.3. K2 Infosolutions Private Limited (“KIPL” or “Transferor Company 3”), a private limited company incorporated in 2011 and having its registered office at House No. 181, Block-D, Pocket-17, Sector-3, Rohini, New Delhi-110 085. KIPL is engaged in consultancy services, commission agency business and other related activities. It has been informed to us that KIPL has deployed its idle funds in securities investments. KIPL is a closely held unlisted company.
- 1.4. Fortune Industrial Resources Limited (“FIRL” or “Transferee Company”), a public limited company incorporated in 1986 and having its registered office at 25, Bazar Lane, Bengali Market, New Delhi-110 001. FIRL is engaged in investment in shares and other securities, providing loans and advances and other related activities. The Transferee Company is duly registered with Reserve Bank of India (RBI) as a non-deposit accepting Non-Banking Finance Company (NBFC). As informed by the Company, equity shares of FIRL are listed on Metropolitan Stock Exchange of India Limited (“MSEI”).

Aforesaid, Transferor Company 1 to 3, shall be collectively referred to as “Transferor Companies”.

- 1.5. Management of the Transferee Company and Transferor Companies is proposing to adopt a Scheme of Amalgamation (“the Scheme”) pursuant to Sections 230 & Section 232 of the Companies Act, 2013. As enumerated, in the draft scheme provided to us, Rationale and Benefits of the Scheme are reproduced below:
 - a. *“The proposed amalgamation of the Transferor Companies with the Transferee Company would result in consolidation and pooling of their resources into a single entity.*



- b. The Transferor Companies are engaged in consultancy services, commission agency business and other related activities. These Companies have deployed their idle funds in securities investments. The Transferee Company on the other hand is an RBI registered Non-Banking Finance Company. It is decided that after the sanction of the Scheme of Amalgamation, consultancy and various other activities being carried on in the Transferor Companies will be stopped. The Transferee Company will focus on the NBFC Business only. Combined funds of all the Transferor Companies will be utilized by the Transferee Company for its NBFC Business only.*
 - c. The proposed amalgamation will substantially enhance the capital and net worth base of the Transferee Company which will provide much needed liquidity to the investors. The proposed amalgamation will enable the Shareholders of the un-listed Transferor Companies to hold shares in the listed Transferee Company and the resultant benefits.*
 - d. The proposed Scheme of Amalgamation would result in pooling of physical, financial and human resource of these Companies for the most beneficial utilization of these factors in the combined entity. Post Scheme, the Transferee Company will enjoy large net worth and financial resources.*
 - e. The proposed Scheme of Amalgamation will result in usual economies of a centralized and a large company including elimination of duplicate work, reduction in overheads, better and more productive utilization of financial, human and other resource and enhancement of overall business efficiency. The proposed Scheme will enable these Companies to combine their managerial and operating strength, to build a wider capital and financial base and to promote and secure overall growth.*
 - f. The amalgamation will result in significant reduction in multiplicity of legal and regulatory compliances which at present is required to be made separately by the Transferor Companies and the Transferee Company.*
 - g. The proposed amalgamation would enhance the shareholders' value of the Transferor and the Transferee Companies.*
 - h. The proposed Scheme of Amalgamation will have beneficial impact on the Transferor and the Transferee Companies, their shareholders, employees and other stakeholders and all concerned."*
- 1.6. Towards this purpose, the Board of Directors of FIRL have provided us with a certified copy of the proposed Scheme between Transferor Companies and Transferee Company which is scheduled to be considered and approved at their board meeting to be held on September 22, 2020. The proposed Scheme will also be placed at the meeting of the Board of Directors of the INL, CRAPL and KIPL.

2. REFERENCE & CONTEXT

As the equity shares of the Company are listed on nationwide stock exchanges, it is bound by the listing agreement and the provisions thereof as amended from time to time.

We, SMC Capitals Ltd., have been appointed to issue a fairness opinion in terms of sub Para 8(b) of Para I(A) of Annexure I of the SEBI Circular No. CIR/CFD/CMD/16/2015 dated November 30, 2015, SEBI Circular no. CFD/DIL3/CIR/2017/21 dated March 10, 2017 and SEBI Circular no. CFD/DIL3/CIR/2017/26 dated March 23, 2017, read with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 on valuation of assets done by an independent valuer for the Transferor Company and Transferee Company pursuant to proposed scheme of amalgamation.

M/s. DABSK & Co., Chartered Accountants having their office at Plot No. 41-42, 1st Floor, Pocket-19, Sec 24, Near Best Mega Mall, Rohini, Delhi 110 085 ("Valuer") vide their valuation report dated September 22, 2020 have certified the valuation of the assets as required under the SEBI Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017.

We are a SEBI registered Category I Merchant Banker and are not associated with the Company as merchant banker / consultant save for this fairness opinion and are not their associate.

This 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 Valuer in relation to the Scheme.

This Opinion does not in any way constitute a recommendation by SMC to any Shareholder as to whether such shareholder should approve or reject the Scheme, in cases where voting by all the shareholders is warranted. We urge to read this Opinion carefully and entirely.

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

The Opinion is issued at the request of the Board of Directors of the Transferee Company who have engaged us and we owe the contractual responsibility to them and nobody else. The Opinion expressed in this report is non-binding and no claim of loss, damages, or liabilities arising out of acts of commission or omission done by third parties in relation to this transaction will lie against us.

There is no liability to any third party in relation to issuance of this Opinion and we shall not be answerable to any such third party. The Opinion when submitted to the Company will come under the ownership of the Company and the Company can use it only for the purposes for which it is issued. The permitted usage and sharing including the manner and mode of



sharing of this Opinion will be strictly as permitted by the governing regulatory requirement. No selective sharing of this Opinion to any interested party whether or not a shareholder will be permitted unless an express regulatory order in this behalf is furnished.

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

Management of the Company has agreed to notify us in case any modifications are carried out in the proposed scheme already furnished to us.

3. BASIS OF FORMING OPINION

3.1 Documents and Information Considered

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

1. Certain publicly available business and financial information relating to the Transferee and Transferor Companies.
2. Audited financials of the Transferee and Transferor Companies for the FY ended March 31, 2020.
3. Certified draft of the proposed Scheme to be approved by the Board of Directors of the Transferee and Transferor Companies.
4. Pre-Transaction and Post-Transaction Shareholding pattern of the Transferee Company.
5. Certified copy of the signed valuation report dated September 22, 2020 issued by M/s. DABSK & Co., Chartered Accountants.
6. Certified copy of the details of the Investments held in securities and fixed assets by the Transferee and Transferor Companies as on March 31, 2020
7. Performed such other reviews and analyses as SMC, in its absolute discretion, deemed appropriate.

3.2 Assumptions and Limiting Conditions

SMC has been engaged to provide standard services for the issuance of the 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.

SMC has assumed and relied upon the truth, accuracy and completeness of the information, data and financial terms provided to us by the Company 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 the Company.

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

This opinion is based on the valuation report issued by M/s. DABSK & Co., Chartered Accountants, 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 the Company to address and further to be confirmed by the shareholders of the Company, as may be required.

SMC's formation of fairness opinion is based on information supplied by the Company, 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 the Company.

In rendering this opinion, SMC has not provided legal, regulatory, tax, accounting or actuarial advice and accordingly SMC does not assume any responsibility or liability in respect thereof. Furthermore, SMC has assumed that the proposed transaction will be consummated on the terms and conditions as proposed, without any material changes to, or waiver of, its terms or conditions.

4. VALUATION APPROACHES AND THEIR REVIEW

4.1. Overview

The formation of a fairness opinion is a complex process involving careful consideration and review of valuation methods, associated financial and other analyses, performed by the valuer. The selection and application of any or all of the generally accepted and commonly applied valuation methods to a particular circumstance is the discretion of the valuer, and hence, in arriving at its opinion, SMC has made a qualitative assessment of the appropriateness of the method and subsequent application. Accordingly, SMC believes that its analysis must be considered in its entirety and not based on any individual element or elements or without considering all associated narratives or descriptions of the analyses which could create a misleading or incomplete view of the comprehensive nature of the processes underlying its analyses and opinion.

4.2 Valuation

SMC has reviewed the valuation report dated September 22, 2020 issued by M/s. DABSK & Co., Chartered Accountants determining the relative (not absolute) valuation of the equity shares of the Transferee and Transferor Companies and fair exchange ratio for the proposed Scheme.

4.3 Analysis of the Valuation

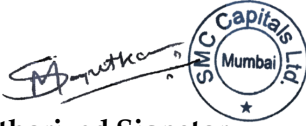
While forming our opinion, we performed certain procedures and made certain enquiries with the Management of the Company. Some of the procedures / activities performed and the findings are mentioned below:

- a. Noted that the amalgamation involves merging of INL, CRAPL and KIPL with FIRL, wherein the shares of FIRL shall be issued in accordance with the fair exchange ratio as determined by the independent valuer.
- b. Noted that the Valuer has primarily based the valuation on the Cost Approach i.e. Net Asset Value methodology and has ignored Income and Market approach for the case in hand. In absence of strictly comparable companies listed on recognized stock exchanges in India and inability to draw the financial projections of the Transferor and Transferee Companies, it seems appropriate to ignore the Market Approach and Income Approach.
- c. Noted that the Valuer has referred to the SEBI Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017, Circular No. CFD/DIL3/CIR/2017/26 dated March 23, 2017, and SEBI (Issue of Capital and Disclosure Requirements) Regulations in relation to methodology to be adopted for valuing FIRL. However, equity shares of FIRL are infrequently traded on MSEI, hence, instead of Market Approach, Net Asset Value is used for arriving at the valuation of FIRL equity shares.
- d. Noted that the Net Asset Value methodology was used to determine the value of equity shares of the Transferor Companies. As the Transferor Companies do not have steady stream of income/stable business plan. Net Asset Value methodology to determine the relative valuation of the Transferor Companies seems to be appropriate for the case.
- e. Noted that the Valuer has also adjusted for appreciation/diminution in the value of the Investments held in the form of quoted securities as on March 31, 2020.
- f. Noted that the Transferee and Transferor companies holds investments in unquoted equity shares of several companies. It was further noted that the Valuer has adjusted the investments held in unquoted equity shares for the current market value based upon the latest available valuation report as on date.
- g. Noted that the Valuer has provided additional discount for lack of marketability of equity shares of the Transferor Companies which is in close proximity with the industry benchmark. Considering the unlisted nature of equity shares, applying such discount seems appropriate.

5. OPINION

Based upon and subject to the foregoing, in this case of Scheme of Amalgamation, we are of the opinion on the date hereof, that the valuation report obtained in regard to requirement as per SEBI Circular from M/s. DABSK & Co., Chartered Accountants and proposed Scheme of Amalgamation is fair and reasonable in the current scenario.

For **SMC Capitals Limited**

A handwritten signature in black ink is written over a circular blue stamp. The stamp contains the text "SMC Capitals Ltd" around the top edge, "Mumbai" in the center, and a small star at the bottom.

Authorized Signatory