

CONFIDENTIAL17th January 2015

The Board of Directors,
Pudumjee Pulp & Paper Mills Limited
Thergaon, Chinchwad,
Pune - 411 033,
Maharashtra.

The Board of Directors,
Pudumjee Industries Limited
Thergaon, Chinchwad,
Pune - 411 033,
Maharashtra

The Board of Directors,
Pudumjee Hygiene Products Limited
Thergaon, Chinchwad,
Pune - 411 033,
Maharashtra

The Board of Directors,
Pudumjee Paper Products Limited
Thergaon, Chinchwad,
Pune - 411 033,
Maharashtra

Dear Members of the Board:

I. Engagement Background

We understand that the Board of Directors of Pudumjee Pulp & Paper Mills Limited ("PPPML"), Pudumjee Industries Limited ("PIL"), Pudumjee Hygiene Products Limited ("PHPL") and Pudumjee Paper Products Limited ("PPPL") is considering the demerger of the 'Demerged Undertaking 1' of PPPML and 'Demerged Undertaking 2' of PIL and 'Demerged Undertaking 3' of PHPL into PPPL through a Composite Scheme of Arrangement under section 391-394 of the Companies Act, 1956.

The scheme envisages demerger of the Demerged Undertakings into PPPL as per terms and conditions more fully set forth in the Scheme of Arrangement to be placed before the Board for their approval.

In consideration of the demerger of the 'Demerged Undertaking 1' of PPPML into PPPL to the Scheme of Arrangement, for every 20 (Twenty) equity shares of the face value of Rs. 2/- each held by the shareholders of First Transferor Company, the Transferee Company shall issue and allot 37 (Thirty Seven) equity share of the face value of Rs. 1/- each fully paid up (hereinafter referred to as the "Share Entitlement Ratio 1").

In consideration of the demerger of the 'Demerged Undertaking 2' of PIL into PPPL to the Scheme of Arrangement, for every 20 (Twenty) equity shares of the face value of Rs. 2 /- each held by the shareholders of Second Transferor Company, the Transferee Company shall issue and allot 9 (Nine) equity share of the face value of Rs.1/- each fully paid up

Axis Capital Limited (Erstwhile "Axis Securities and Sales Limited")

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(hereinafter referred to as the "Share Entitlement Ratio 2").

In consideration of the demerger of the 'Demerged Undertaking 3' of PHPL into PPPL to the Scheme of Arrangement, for every 20 (Twenty) equity shares of the face value of Rs. 10 /- each held by the shareholders of Third Transferor Company, the Transferee Company shall issue and allot 7 (Seven) equity share of the face value of Rs.1/- each fully paid up (hereinafter referred to as the "Share Entitlement Ratio 3").

In connection with the aforesaid, you requested our Fairness Opinion (the "Opinion") as of the date hereof, as to the fairness of the Share Entitlement Ratios to the Equity Shareholders of the Demerged Companies.

Scheme of Arrangement

This Scheme of Arrangement provides for:

- (i) Under this scheme, "Manufacturing Business Undertaking" of PPPML, "Manufacturing Business Undertaking" of PIL, "Trading Business Undertaking" of PHPL (hereinafter collectively referred to as the "Demerged Undertakings") will be transferred to PPPL.
- (ii) On the record date, all shareholders of the Demerged Companies will be entitled to receive shares in the Transferee Company.
- (iii) Demerged companies will retain all the undertakings, businesses and activities which are not exclusively related to or utilized by the Demerged Undertakings.

II. Basis of Opinion

In the Rationale of the scheme, it has been provided that, as part of an overall re-organization plan and in order to achieve greater efficiencies in operations and with the intent of providing focus and greater attention to Manufacturing and Trading Business of the Demerged Companies, it is considered necessary, desirable and expedient to transfer the Demerged Undertakings to the Transferee Company. The transfer therefore will enable focused management orientation to the businesses of the Demerged Undertakings. The demerger is also expected to improve the competitiveness of the businesses in their respective markets.

A brief history of each of the aforesaid companies is as under :

- a. Pudumjee Pulp & Paper Mills Limited:
PPPML is engaged in the manufacturing of specialty paper. It operates in the



following four segments viz.:

- Paper - manufacture and marketing of Paper and processing activity at Pune and Mahad;
- Real Estate - engaged in construction activity;
- Power Generation - generation of power from diesel generator (D.G).Set and Wind Power Turbine; and
- Investment - primarily engaged in purchase and sale of shares.

The equity shares of PPPML are listed on National Stock Exchange of India Limited, BSE Limited and Pune Stock Exchange.

"Manufacturing Business Undertaking" of PPPML is engaged in the manufacturing of Specialty Papers used in various sectors. Its products include Calendered Paper, Security Paper, Decor Papers, and Other Specialty Papers.

b. Pudumjee Industries Limited

PIL is engaged in manufacturing and sale of various types of papers viz. Crepe Tissue, M.G. Kraft, Carbon based tissue, Poster papers, etc. The equity shares of PIL are listed on National Stock Exchange of India Limited and BSE Limited.

"Manufacturing Business Undertaking" of PIL is engaged in the manufacturing of Specialty Papers used in various sectors. its products include fairly wide range of papers such as Crepe Tissue, Hygiene Tissue, M.G. Tissue, Carbon Tissue, and Wrappers for fruit, flowers and food, Poster Paper, Kraft Paper etc.

c. Pudumjee Hygiene Products Limited

PHPL is engaged in trading a wide array of Hygiene Products. It is also engaged in leasing business. PHPL is a wholly owned subsidiary of PIL. The equity shares of PHPL are not listed on any stock exchange.

"Trading Business Undertaking" of PHPL is engaged in trading of wide range of hygiene products, which includes a variety of tissues, technologically advanced soap and tissue dispensers, an array of liquid soaps, hand sanitizers and washroom cleaning aids.

d. Pudumjee Paper Products Limited

PPPL is incorporated on January 14, 2015 as a special purpose vehicle for the purpose of integrating Manufacturing Business Undertaking of PPPML, Manufacturing Business Undertaking of PIL and Trading Business Undertaking of PHPL into one entity.

The key features of the Scheme provided to and relied upon by us for framing a fairness opinion on transfer of Demerged Undertakings into Transferee Company are as under:



- Upon the coming into effect of the Scheme and with effect from the Appointed Date, the Demerged Undertakings (including all the estate, assets, rights, claims, title, interest and authorities including accretions and appurtenances of the Demerged Undertaking) of the Demerged Companies shall stand transferred to and be vested in or deemed to have been transferred to or vested in, as a going concern, into the Transferee Company
- As consideration for the transfer, equity shares in the Transferee Company shall be issued to the equity shareholders of the Demerged Companies
- All the Shareholders of the Demerged Companies shall become shareholders of the Transferee Company on the record date
- Share entitlement ratios are based on a Share Entitlement Ratio Report submitted by SSPA & CO, Chartered Accountants, Mumbai.
- The equity shares of Transferee Company will be listed and admitted to trading on the BSE and NSE. The Transferee Company shall enter into such arrangements and give such confirmations and/or undertaking as may be necessary in accordance with the applicable Laws or regulations for complying with the formalities of the BSE and NSE. On such formalities being fulfilled, the BSE and NSE shall list and/or admit such equity shares also for the purpose of trading.
- In case any member's shareholding in the Demerged Company is such that such member becomes entitled to a fraction of one equity share of the Transferee Company, the Transferee Company will not issue fractional share certificate to such member and will consolidate such fractions and issue the consolidated shares to a trustee nominated by the Board of the Demerged Companies in that behalf, who will sell such shares and distribute the net sale proceeds (after deduction of the expenses incurred) to such members in proportion to their respective fractional entitlements. During consolidation of the fractional shares, if the sum of such fractional shares is not a whole integer, the Transferee Company will issue such additional fractional share to the trustee, such that the total shares so issued shall be rounded off to the next whole integer.

We have taken the foregoing facts (together with the other facts and assumptions set forth in section III of this Opinion) into account when determining the meaning of "fairness" for purposes of this Opinion.



III. Limitation of Scope and Review

Our Opinion and analysis is limited to the extent of review of documents as provided to us by the Transferee Company and the Demerged Companies including the valuation report prepared by SSPA & CO, Chartered Accountants, Mumbai and a Draft of the Scheme of Arrangement.

We have relied upon the accuracy and completeness of all information, documents, data and explanations provided to us, without carrying out any due diligence or independent verification or validation of such information to establish its accuracy or sufficiency. We did not review any financial forecasts relating to the Demerged Companies and/ or its subsidiaries and the Transferee Company. We have not conducted any independent valuation or appraisal of any of the assets or liabilities of the Demerged Companies and / or its subsidiaries or the Transferee Company and / or its subsidiaries. In particular, we do not express any opinion as to the value of any asset of the Demerged Companies and / or its subsidiaries or the Transferee Company and / or its subsidiaries, whether at current prices or in the future. We also believe that the same bears very limited relevance, given that all the Shareholders of the Demerged Companies shall become shareholders of the Transferee Company on the record date as explained earlier.

We do not express any opinion as to the price at which shares of the Demerged Companies and/or the Transferee Company may trade at any time, including subsequent to the date of this Opinion. 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, limitation, restriction or condition will be imposed that would have an adverse effect on the Demerged Companies and / or its subsidiaries, Transferee Company and / or its subsidiaries and their respective Shareholders.

We do not express any Opinion as to any tax or other consequences that might arise from the Scheme on the Demerged Companies and / or its subsidiaries, Transferee Company and / or its subsidiaries and their respective shareholders, nor does our Opinion address any legal, tax, regulatory or accounting matters, as to which we understand that the Companies have obtained such advice as it deemed necessary from qualified professionals. In addition, we express no view or opinion as to the fairness of the amount or nature of, or any other aspects relating to, the compensation to any officers, directors or employees of any parties to the Scheme, or class of such persons, relative to the Entitlement Ratios or otherwise.

We assume no responsibility for updating or revising our Opinion based on circumstances or events occurring after the date hereof. Our Opinion is specific to the transfer and



vesting of the Demerged Undertaking of the Demerged Companies into the Transferee Company as contemplated in the Scheme provided to us 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.

We have in the past provided, and may currently or in the future provide, investment banking services to the Demerged Companies and the Transferee Company and/or its subsidiaries or their respective affiliates that are unrelated to the proposed Scheme, for which services we have received or may receive customary fees. In addition, in the ordinary course of their respective businesses, affiliates of Axis Capital Ltd. may actively trade securities of the Demerged Companies and/or the Transferee Company and / or its subsidiaries or group companies or for their own accounts and for the accounts of their customers and, accordingly, may at any time hold a position in such securities. Our engagement and the Opinion expressed herein are for the benefit of the Board of Directors of the Demerged Companies and/or Transferee Company in connection with its consideration of the Scheme and for none other. Neither Axis Capital Ltd., nor its affiliates, partners, directors, shareholders, managers, employees or agents of any of them, makes any representation or warranty, express or implied, as to the information and documents provided to us, based on which the Opinion has been issued. All such parties and entities expressly disclaim any and all liability for, or based on or relating to any such information contained therein.

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 the Scheme or any matter related thereto.

IV. Conclusion

Based on and subject to the foregoing, we are of the opinion that, as of the date hereof, Share Entitlement Ratios are fair to the Equity shareholders of the Demerged Companies.

Very truly yours,
For Axis Capital Ltd.



Authorized Signatory

