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Chartered Accountants

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STRICTLY PRIVATE & CONFIDENTIAL

December 08, 2014

To,

The Board of Directors

DCM Limited

Vikrant Tower, 4,

Rajendra Place,

New Delhi - 110 008.

The Board of Directors

DCM Engineering Limited

Vikrant Tower, 4,

Rajendra Place,

New Delhi - 110 008.

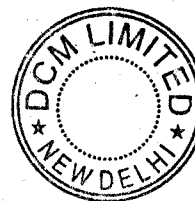
Re: Recommendation of Fair Share Exchange Ratio for the purpose of proposed amalgamation of DCM Engineering Limited with DCM Limited.

Dear Sir(s),

As requested by the Management of DCM Limited and DCM Engineering Limited (hereinafter collectively referred to as the "Management"), we have carried out fair valuation of equity shares of DCM Limited (hereinafter referred to as "DCM") and DCM Engineering Limited (hereinafter referred to as "DEL") to recommend fair share exchange ratio for the proposed amalgamation of DEL into DCM (hereinafter collectively referred to as the "Companies").

1. PURPOSE OF VALUATION

1.1 We have been informed that the management of the Companies is considering a proposal for the amalgamation of DEL into DCM (hereinafter referred to as "amalgamation") pursuant to the provisions of Sections 391 to 394 read with Section 100 to 103 and other applicable provisions of the Companies Act, 1956 (hereinafter referred to as "Scheme"). Subject to necessary approvals, DEL would be merged into DCM, with effect from Appointed Date of April 1, 2014. In consideration for the amalgamation, equity shares of DCM would be issued to the shareholders of DEL.



For DCM LIMITED

Sitendra Talwar

Chairman & Managing Director

- 1.2 In this connection, SSPA & Co., Chartered Accountants (SSPA) has been appointed to carry out the relative valuation of equity shares of DCM and DEL to recommend the fair share exchange ratio.

2. BRIEF BACKGROUND OF THE COMPANIES

2.1 DCM LIMITED

2.1.1 DCM is engaged in the business of Textiles (hereinafter referred to as "Textiles Division"), Information Technology (IT) Services (hereinafter referred to as "Data Systems Division") Real Estate (hereinafter referred to as "Real Estate Division").

2.1.2 The Textile Division has spinning mill manufacturing cotton yarn. The mill is located at Hisar, Haryana with the current capacity of 1,15,048 spindles. Textile Division is highly focused on exports with around 60% turnover in export market. Data Systems Division is today a focused global player in IT Infrastructure Services, with multi-country execution through onsite & remote model. The Data Systems Division provides complete range of services encompassing System Administration, Storage Management, Backup Recovery, Disaster Management, databases, Messaging & Collaboration, Virtualization, etc. on multiple operating systems and platforms. Besides the above, DCM is in the business of real estate also. The development of real estate project on the DCM land at Bara Hindu Rao/Kishan Gang, Delhi is being done by Purearth Infrastructure Limited (PIL), a company co-promoted by DCM, pursuant to the rights to construct, develop and sale vested with them.

2.1.3 The shares of DCM are listed on The National Stock Exchange of India Limited and BSE Limited.

2.2 DCM ENGINEERING LIMITED

2.2.1 DEL is engaged in the manufacturing and supply of Grey iron castings across all segments in automotive market: car, multi-utility vehicle, tractor, light commercial vehicle, heavy commercial vehicle and earth moving equipments etc. The factory is located in Village Asron, District Shaheed Bhagat Singh Nagar (Punjab) with current capacity of 72,000 MT per annum. DEL specializes in the manufacture of Cylinder Heads, Cylinder Blocks and Housings, etc.



For DCM LIMITED
Atendra Tuli
Chairman & Managing Director

2.2.2 DEL is a subsidiary company of DCM, holding ~75.06% of the equity share capital of DEL.

3. EXCLUSIONS AND LIMITATIONS

3.1 Our report is subject to the scope limitations detailed hereinafter. As such, the report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to herein.

3.2 No investigation of the Companies' claim to title of assets has been made for the purpose of this valuation and their 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. Therefore, no responsibility is assumed for matters of a legal nature.

3.3 Our work does not constitute certification of the historical financial statements of the Companies referred to in this report. Accordingly, we are unable to and do not express an opinion on the fairness or accuracy of any financial information referred to in this report. Valuation analysis and results are specific to the purpose of valuation and the valuation date mentioned in the report is as per agreed terms of our engagement. It may not be valid or used for any other purpose or as at any other date. Also, it may not be valid if done on behalf of any other entity.

3.4 A valuation of this nature involves consideration of various factors including those impacted by prevailing stock market trends in general and industry trends in particular. This report is issued on the understanding that the Companies have drawn our attention to all material information, which they are aware of concerning the financial position of the Companies and any other matter, which may have an impact on our opinion, on the fair value of shares of the Companies for the purpose of the proposed amalgamation, including any significant changes that have taken place or are likely to take place in the financial position of the Companies, subsequent to the report date. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

3.5 During the course of work, we have relied upon assumptions and projections made by the management of the Companies. These assumptions require the exercise of



For DCM LIMITED
Vitendra Tuli
Chairman & Managing Director

judgment and are subject to uncertainties. There can be no assurance that the assumptions are accurate. The fact that we have considered the projections in this exercise of valuation should not be construed or taken as our being associated with or a party to such projections. Since the estimates/projections relate to the future, actual results may be different from estimated/projected results because events and circumstances do not occur as expected, and differences may be material.

- 3.6 In the course of the valuation, we were provided with both written and verbal information. We assume no responsibility for any errors in the above information furnished by the Companies and consequential impact on the present exercise.
- 3.7 Our report is not, nor should it be construed as our opining or certifying the compliance of the proposed amalgamation with the provisions of any law including companies, taxation and capital market related laws or as regards any legal implications or issues arising from such proposed amalgamation.
- 3.8 This report is prepared only in connection with the proposed amalgamation exclusively for the use of the Companies and for submission to any regulatory/statutory authority as may be required under any law.
- 3.9 Any person/party intending to provide finance/invest in the shares/businesses of any of the Companies, shall do so, after seeking their own professional advice and after carrying out their own due diligence procedures to ensure that they are making an informed decision. It is to be noted that any reproduction, copying or otherwise quoting of this report or any part thereof, other than in connection with the proposed amalgamation as aforesaid, can be done only with our prior permission in writing.
- 3.10 SSPA, nor its partners, managers, employees or agents of any of them, makes any representation or warranty, express or implied, as to the accuracy, reasonableness or completeness of the information, based on which the valuation is carried out. All such parties expressly disclaim any and all liability for, or based on or relating to any such information contained in the valuation.

4. SOURCES OF INFORMATION

For the purpose of the valuation exercise, we have relied upon the following sources of information provided by the management.



For DCM LIMITED
Vitendra Tuli
Chairman & Managing Director

- (a) Audited financial statements of DCM and its subsidiaries/associates including DEL for the financial year ended March 31, 2014.
- (b) Financial Projections of DCM and DEL comprising of Profit & Loss and Balance Sheet for financial years (FY) 2014-15 to 2016-17.
- (c) Draft Scheme of Amalgamation u/s 391 to 394 read with Section 100 to 103 and other applicable provisions of the Companies Act, 1956.
- (d) Other relevant details regarding the Companies such as their history, their promoters, past and present activities, other relevant information and data including information in the public domain.
- (e) Such other information and explanations as we required and which have been provided by the management of the Companies.

5. VALUATION APPROACH

For the purpose of valuation for amalgamation, generally the following approaches are adopted:

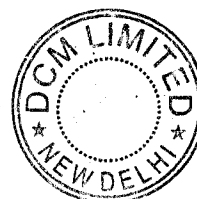
- (a) the "Underlying Asset" approach;
- (b) the "Income" approach; and
- (c) the "Market Price" approach;

5.1 Since DEL is an unlisted entity and this being a relative valuation for amalgamation, we have thought fit to ignore the "Market Price" approach in case of DCM for current valuation exercise.

5.2 UNDERLYING ASSET APPROACH

5.2.1 In case of the "Underlying Asset" approach, the value per share is determined by dividing the net assets of the company by the number of shares. Valuation of net assets is calculated with reference to the historical cost of the assets owned by the company. Such value usually represents the minimum value or a support value of a going concern.

5.2.2 Since the shares are valued on a "going concern" basis and an actual realization of the operating assets is not contemplated, we have considered it appropriate not to



For DCM LIMITED

Vitendra Tuli
Chairman & Managing Director

determine the realizable or replacement value of the assets. The operating assets have therefore been considered at their book values.

5.2.3 To the value so arrived, adjustments are made for appreciation in value of investment & surplus assets and contingent liabilities adjusted for probability of devolvement after considering the tax impact wherever applicable.

5.2.4 The value for equity shareholders as arrived above is divided by the outstanding number of equity shares to arrive at the value per share.

5.3 INCOME APPROACH

5.3.1 Under the Income Approach, we have considered the Comparable Companies Multiple (CCM) Method of valuation. The Comparable Companies Multiple Method arrives at the value of the company by using multiples derived from valuations of comparable companies, as manifest through stock market valuations of listed companies. This valuation is based on the principle that market valuations, taking place between informed buyers and informed sellers, incorporate all factors relevant to valuation. Relevant multiples need to be chosen carefully and adjusted for differences between the circumstances. The Enterprise Value (EV) to Earnings before Interest Tax Depreciation and Amortization (EBITDA) multiples of comparable listed companies are used.

5.3.2 To the value so arrived, appreciation in value of investment & surplus assets, contingent liabilities adjusted for probability of devolvement, loan funds and cash & cash equivalents and other adjustments after making adjustment of tax wherever applicable.

5.3.3 The value as arrived above is divided by the outstanding number of equity shares to arrive at the value per share.

6. RECOMMENDATION OF FAIR EXCHANGE RATIO

6.1 The fair basis of amalgamation of the Companies would have to be determined after taking into consideration all the factors and methodologies mentioned hereinabove. Though different values have been arrived at under each of the above approaches, for the purposes of recommending a ratio of exchange it is necessary to arrive at a single



For DCM LIMITED

Vitendra Tane
Chairman & Managing Director

value for the shares of each company. It is however important to note that in doing so, we are not attempting to arrive at the absolute values of the shares of each company. Our exercise is to work out relative value of shares of the Companies to facilitate the determination of a ratio of exchange. For this purpose, it is necessary to give appropriate weightage to the values arrived at under each approach.

Considering the fact that, after the amalgamation, the business of the Companies is intended to be continued on a "going concern" basis, to arrive at relative value of DCM and DEL, we have considered it appropriate to give a weight of "1" to the value determined under the "Underlying Asset" approach and "2" to the value determined under the "Income" approach.

6.2 The share exchange ratio has been arrived on the basis of a relative valuation of the shares of the Companies based on the various methodologies explained herein earlier and various qualitative factors relevant to each company and the business dynamics and growth potential of the businesses of the companies, having regard to information base, management representations and perceptions, key underlying assumptions and limitations.

6.3 In the ultimate analysis, valuation will have to involve the exercise of judicious discretion and judgment taking into account all the relevant factors. There will always be several factors, e.g. present and prospective competition, yield on comparable securities and market sentiments etc. which are not evident from the face of the balance sheets but which will strongly influence the worth of a share. This concept is also recognized in judicial decisions. For example, Viscount Simon Bd in Gold Coast Selection Trust Ltd. vs. Humphrey reported in 30 TC 209 (House of Lords) and quoted with approval by the Supreme Court of India in the case reported in 176 ITR 417 as under:

"If the asset takes the form of fully paid shares, the valuation will take into account not only the terms of the agreement but a number of other factors, such as prospective yield, marketability, the general outlook for the type of business of the company which has allotted the shares, the result of a contemporary prospectus offering similar shares for subscription, the capital position of the company, so forth. There may also be an element of value in the fact that the holding of the shares gives control of the



company. If the asset is difficult to value, but is nonetheless of a money value, the best valuation possible must be made. Valuation is an art, not an exact science. Mathematical certainty is not demanded, nor indeed is it possible."

- 6.4 In the light of the above and on a consideration of all the relevant factors and circumstances as discussed and outlined hereinabove, in our opinion, a fair ratio of exchange in the event of amalgamation of DEL with DCM would be:
- 20 (Twenty) equity shares of DCM of INR 10 each fully paid up for every 77 (Seventy Seven) equity shares of DEL of INR 10 each fully paid up.**

Thanking you,
Yours faithfully,

SSPA & Co



SSPA & CO.
Chartered Accountants
Firm registration number: 128851W

Place: New Delhi



For DCM LIMITED

Tilendra Tuli
Chairman & Managing Director