

CONFIDENTIAL

03 March 2015

The Board of Directors,  
Crompton Greaves Limited,  
CG House, 6th Floor,  
Dr Annie Besant Road, Worli,  
Mumbai - 400030

Certified True Copy  
For Crompton Greaves Limited

**MINAL BHOSALE**  
Company Secretary

Dear Members of the Board:

**I. Engagement Background**

We understand that the Board of Directors of Crompton Greaves Limited is considering the demerger of "Consumer Products Business" of Crompton Greaves Limited (the "Demerged Company" or "CG Ltd.") into Crompton Greaves Consumer Electricals Limited (the "Resulting Company") through a Scheme of Arrangement under section 391-394 of the Companies Act, 1956.

The scheme envisages demerger of the "Consumer Products Business" (the "Demerged Undertaking") of CG Ltd. into Resulting Company 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 "Consumer Products Business" of Demerged Company into the Resulting Company pursuant to the Scheme of Arrangement, for every 1 (one) equity share of the face value of Rs. 2/- each held by the shareholders of Demerged Company, the Resulting Company shall issue and allot 1 (one) equity share of the face value of Rs. 2/- each fully paid up (hereinafter referred to as the "Share Entitlement Ratio").

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 Ratio to the Equity Shareholders of the Demerged Company.

**Scheme of Arrangement**

This Scheme of Arrangement provides for:

- (i) Under this scheme, the Consumer Products Business of CG Ltd. will be transferred to Resulting Company.



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

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- (ii) Resulting Company is a 100% subsidiary of CG Ltd.
- (iii) On the record date, all shareholders of the Demerged Company will be entitled to receive shares in the Resulting Company.
- (iv) The Resulting Company will issue one share for every oneshare held by the shareholders of CG Ltd.
- (v) On and from the Effective Date, all the equity shares issued by the Resulting Company to the Demerged Company shall stand cancelled.
- (vi) CG Ltd. will retain all the undertakings, businesses and activities which are not exclusively related to or utilized by the Consumer Products Business.

## 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 Consumer Products Business of the Demerged Company, it is considered necessary, desirable and expedient to transfer the Demerged Undertaking to the Resulting Company. The transfer therefore will enable focused management orientation to the businesses of the Demerged Undertaking. 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) Crompton Greaves Limited, a listed public limited company incorporated under the provisions of the Indian Companies Act, 1913 and is existing under the provisions of the Companies Act, 2013 under CIN L99999MH1937PLC002641 and having its registered office at CG House, 6th Floor, Dr Annie Besant Road, Worli, Mumbai - 400 030, is a flagship company of the Avantha Group. CG Ltd. is engaged in the business of manufacturing transformers, switchgear, circuit breakers, network protection & control gear, project engineering, HT and LT motors, drives, lighting, fans, pumps and consumer appliances and turnkey solutions in all these areas. Demerged Company, by itself and through its subsidiaries, is engaged in 3 (three) distinct lines of business namely:
  - i. Power Business: manufacture and distribution of transformers, switchgear, circuit breakers, vacuum interrupters, network protection and control gear, as well as design, execution and servicing of turnkey T&D as well as sub-station projects and solutions including complete end to end renewable projects;



- ii. Industrial Systems Business: manufacture and distribution of power conversion equipment such as high and low voltage rotating machines, drives and industrial automation products, stampings as well as railway transportation and signaling products;
  - iii. Consumer Products Business: manufacture and distribution of fans, domestic appliances, lighting, pumps, home automation, integrated security systems and wiring accessories.
- (b) Crompton Greaves Consumer Electricals Limited is a public limited company incorporated under the provisions of the Companies Act 2013 under CIN U31900MH2015PLC262254 and having its registered office at CG House, 6th Floor, Dr Annie Besant Road, Worli, Mumbai - 400 030. The Resulting Company is engaged in the business, inter alia, of manufacturing, marketing, distributing and selling of consumer products. The Resulting Company is a wholly owned subsidiary of the Demerged Company.

The key features of the Scheme provided to and relied upon by us for framing a fairness opinion on transfer of Demerged Undertaking of CG Ltd. into Resulting Company are as under:

- Upon the coming into effect of the Scheme and with effect from the Appointed Date, the Demerged Undertaking (including all the estate, assets, rights, claims, title, interest and authorities including accretions and appurtenances of the Demerged Undertaking) of the Demerged Company shall stand transferred to and be vested in or deemed to have been transferred to or vested in, as a going concern, into the Resulting Company
- As consideration for the transfer, equity shares in the Resulting Company shall be issued to the equity shareholders of the Demerged Company
- All the Shareholders of the Demerged Company shall become shareholders of the Resulting Company on the record date
- Every equity shareholder of the Demerged Company shall receive 1 (one) equity share of Rupees Two each of the Resulting Company for every 1(one) equity share he/she holds in the Demerged Company as on the Record date for the implementation of the Scheme
- Share entitlement ratio is based on a Share Entitlement Ratio Report submitted by Price Waterhouse & Co. LLP

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- The equity shares of Resulting Company will be listed and admitted to trading on the BSE and NSE. The Resulting 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.
- The Resulting Company will issue to the Depository of the Demerged Company shares of the Resulting Company on behalf of holders of the Demerged Company GDRs in accordance with the Share Entitlement Ratio. The Resulting Company may enter into such appropriate arrangements with the Depository for issuance of the Resulting Company GDRs. If the Resulting Company has not had such Resulting Company GDRs issued as aforesaid, the Depository shall, without reference to the Resulting Company, sell the equity shares of the Resulting Company in the open domestic market and distribute the net sale proceeds to such GDR holders on a proportionate basis. The Resulting Company GDRs will not be listed on any exchange unless required by any regulations or laws in which event, the Resulting Company will take such additional steps and do all necessary acts 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 listing the Resulting Company GDRs.

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 Resulting Company and the Demerged Company including the Share Entitlement Ratio Report prepared by Price Waterhouse & Co. LLP 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 Company and/ or its subsidiaries and the Resulting Company. We have not conducted any independent valuation or appraisal of any of the assets or liabilities of the Demerged Company and / or its subsidiaries or the Resulting Company and / or its subsidiaries. In particular, we do not



express any opinion as to the value of any asset of the Demerged Company and / or its subsidiaries or the Resulting 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 Company shall become shareholders of the Resulting Company on the record date as explained earlier.

We do not express any opinion as to the price at which shares of the Demerged Company and/or the Resulting 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 Company and / or its subsidiaries, Resulting 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 Company and / or its subsidiaries, Resulting 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 Ratio 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 Company into the Resulting 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 and the Resulting 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 and/or the Resulting 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 Company and/or Resulting 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 Ratio is fair to the Equity shareholders.

Very truly yours,  
For Axis Capital Ltd.

A handwritten signature in blue ink, appearing to be 'J. Smith', written over a horizontal line.

**Authorized Signatory**

