



To,  
The Board of Directors,  
HSIL Limited  
2, Red Cross Place, Kolkata,  
West Bengal - 700 001, India

Date- November 9, 2017

Sub: Opinion on the share entitlement ratio on the proposed composite scheme of arrangement for demerger of Consumer Products Distribution & Marketing Undertaking and the Retail Undertaking from HSIL Limited to Somany Home Innovation Limited, and demerger of Building Products Distribution & Marketing Undertaking from HSIL Limited to Brilloca Limited.

Dear Members of the Board:

We understand that Board of Directors of HSIL Limited (here in after referred as "Demerged Company" or "HSIL") is considering a composite scheme of arrangement for demerger of Consumer Products Distribution and Marketing Undertaking (hereinafter referred as "CPDM Undertaking") and the Retail Undertaking from the Demerged Company to Somany Home Innovation Limited, a wholly owned subsidiary of the Demerged Company, and demerger of Building Products Distribution and Marketing Undertaking (hereinafter referred as "BPDM Undertaking") from the Demerged Company to Brilloca Limited, a wholly owned subsidiary of Somany Home Innovation Limited, with effect from the Appointed Date, i.e., 1<sup>st</sup> April 2018 or such other date as may be fixed or approved by the National Company Law Tribunal (hereinafter referred to as "NCLT"), through a composite scheme of arrangement under sections 230 – 232 of the Companies Act, 2013 (hereinafter referred to as "Act"), read with section 66 of the Act and other applicable provisions of the Act (hereinafter referred to as "Proposed Scheme").

The Proposed Scheme provides for -

- Demerger of CPDM Undertaking and Retail Undertaking (as more particularly defined in the Proposed Scheme and hereinafter referred as 'Demerged Undertaking 1') of the Demerged Company into its wholly owned subsidiary, Somany Home Innovation Limited ("Resulting Company 1"), on a going concern basis;
- Demerger of BPDM Undertaking (as more particularly defined in the Proposed Scheme and hereinafter referred as 'Demerged Undertaking 2') of the Demerged Company into Brilloca Limited ("Resulting Company 2"), a wholly owned subsidiary of the Resulting Company 1, on a going concern basis;
- On the coming into effect of the Proposed Scheme, cancellation of the existing share capital of Resulting Company 1, which is held by the Demerged Company;
- On the coming into effect of the Proposed Scheme, simultaneous with the cancellation of the share capital of Resulting Company 1 held by the Demerged Company, issuance of equity shares by the Resulting Company 1 to the shareholders of the Demerged Company, as per the terms and conditions more fully set forth in the Proposed Scheme, which shall be listed at BSE Limited and National Stock Exchange of India Limited (NSE) (the "Stock Exchanges"), where the shares of the Demerged Company are presently listed. Accordingly, post the

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For HSIL LIMITED

Company Secretary





coming into effect of the Proposed Scheme, there would be mirror-image, proportionate shareholding of Demerged Company and Resulting Company 1, i.e., economic interest of each of the shareholders of the Demerged Company shall remain intact and in the same ratio; and

- e. Post the coming into effect of the Proposed Scheme, Resulting Company 2 will continue to remain wholly owned subsidiary of Resulting Company 1.

The share entitlement ratio for the Proposed Scheme has been determined by M/s Santosh K Singh & Co., Chartered Accountants, *vide* their valuation report dated [October 13, 2017].

In terms of Regulation 37 of SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015 ("LODR Regulations") read with SEBI Circular No. CFD/ DIL3/CIR/ 2017/21 dated March 10, 2017, the listed companies undertaking a scheme of arrangement are required to submit to the stock exchanges, copy of fairness opinion obtained from the Merchant Banker on the valuation of shares / assets of the companies done by the independent valuer.

With reference to above, we, Finshore Management Services Limited, a SEBI Registered (Cat-I) Merchant Banker have been appointed by the Demerged Company to provide our fairness opinion on the same.

Brief background of the Companies involved in the Proposed Scheme, our opinion and basis for forming an opinion and caveats are as hereunder -

**1. Background of companies:**

**1.1. HSIL Limited**

HSIL Limited, the Demerged Company, is a public limited company incorporated under the Companies Act, 1956, in the State of West Bengal. The registered office of HSIL is situated at 2, Red Cross Place, Kolkata, West Bengal 700 001, India. HSIL was incorporated on February 8, 1960, under the name 'Hindusthan Twyford Limited'. Subsequently, the name of HSIL was changed to 'Hindustan Sanitaryware & Industries Limited' with effect from May 3, 1969, and HSIL obtained a fresh certificate of incorporation from the Registrar of Companies, Kolkata, to the said effect. The name Hindustan Sanitaryware & Industries Limited was further changed to the present name HSIL Limited and a fresh certificate of incorporation was issued by the Registrar of Companies, Kolkata on March 24, 2009 in favour of HSIL. The Corporate Identity Number of HSIL is L51433WB1960PLC024539. The equity shares of HSIL are listed on BSE Limited (BSE) and National Stock Exchange of India Limited (NSE).

HSIL is a multi-business corporate, which is primarily engaged in the following business activities:

- (a) branding, marketing, sales, distribution, trading, service, etc. of various building products like sanitaryware, faucets, other lifestyle products, UPVC and CPVC pipes, fittings, tiles, etc., more particularly defined in the Proposed Scheme (hereinafter referred to as "Building Products Distribution and Marketing Undertaking" or "BPDM Undertaking");

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- (b) branding, marketing, sales, distribution, trading, service, etc. of various consumer products like air purifiers, air coolers, kitchen appliances, water heaters, exhaust fans, water purifiers etc., more particularly defined in the Proposed Scheme (hereinafter referred to as "Consumer Products Distribution and Marketing Undertaking" or "CPDM Undertaking");
- (c) retail business, consisting of branding, marketing, sales, distribution, trading, service, etc. of furniture, furnishings, home décor, etc., more particularly defined in the Proposed Scheme (hereinafter referred to as "Retail Undertaking");

(The BPDM Undertaking, CPDM Undertaking and Retail Undertaking shall hereinafter be collectively referred to as the "Demerged Undertakings".)

- (d) manufacturing of building products like sanitaryware, faucets, UPVC and CPVC pipes, fittings, etc. (hereinafter referred to as "Building Products Manufacturing Undertaking" or "BPM Undertaking");
- (e) manufacturing of certain specified consumer products like water heaters (hereinafter referred to as "Consumer Products Manufacturing Undertaking" or "CPM Undertaking");
- (f) manufacturing and supply of packaging products like glass bottles, PET bottles, security caps and closures (hereinafter referred to as "Packaging Products Manufacturing Undertaking" or "PPM Undertaking"); and
- (g) wind power generation (hereinafter referred to as "Power Undertaking").

The BPM Undertaking, CPM Undertaking, PPM Undertaking and Power Undertaking shall collectively be referred to as the "Remaining Undertaking".

#### 1.2. Somany Home Innovation Limited

Somany Home Innovation Limited, Resulting Company 1, was incorporated on September 28, 2017 under the Companies Act, 2013, in the State of West Bengal. The Corporate Identity Number of Resulting Company 1 is U74999WB2017PLC222970. The registered office of Resulting Company 1 is situated at 2, Red cross Place, Kolkata, West Bengal-700 001. Resulting Company 1 is a wholly owned subsidiary of HSIL.

Resulting Company 1 is authorised, by its memorandum of association, to *inter alia* carry on the business of importing, exporting, buying, selling, processing, manufacturing and dealing in all kinds of kitchen products like kitchen-sinks, chimneys, hobs, kitchen appliances and faucets, including chromium-plated fittings, bath tubs & whirlpools, shower enclosures, home appliances, furniture of all kinds, electrical products like air purifier, water purifier, air cooler, water heater lamps etc., decorative materials and building chemicals and also products like fire bricks, fire clay, fire cement, tiles, sewers, pipes, drain pipes, stone pipes, hume pipes, concrete pipes and pipes of all kinds, pottery tiles, lime, cement, china and terracotta, ceramic wares, cement (ordinary white coloured portland alumina blast furnace, silica, etc.)

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and cement products of any description (pipes, poles, asbestos sheets, blocks tiles, garden wares, etc.).

### 1.3. Brilloca Limited

Brilloca Limited, Resulting Company 2, was incorporated on November 2, 2017 under the Companies Act, 2013, in the State of West Bengal. The Corporate Identity Number of Resulting Company 2 is U74999WB2017PLC223307. The registered office of Resulting Company 2 is situated at 2, Red cross Place, Kolkata, West Bengal-700 001. Resulting Company 2 is wholly owned subsidiary of Resulting Company 1.

Resulting Company 2 is authorised, by its memorandum of association, to *inter alia* carry on the business of importing, exporting, producing, refining, buying, selling, processing, manufacturing and dealing in all kinds of building material products like sanitary ware (including sanitary ware made of plastic, fiber glass or any other synthetic product), earthenware, stoneware, glass, china, terracotta, porcelain products, bricks, tiles, pottery, pipes, insulators refractories of all description and or by-products, thereof and faucets including chromium-plated fittings, bath tubs and whirlpools, shower enclosures, home appliances, electrical products, decorative materials and building chemicals and also products like fire bricks, fire clay, fire cement, tiles, sewers, pipes, drain pipes, stone pipes, hume pipes, concrete pipes and pipes of all kinds, pottery tiles, lime, cement, china and terracotta, ceramic wares, cement (ordinary white coloured Portland alumina blast furnace, silica, etc.), cement products of any description (pipes, poles, asbestos sheets, blocks tiles, garden wares, etc.).

## 2. Basis of our opinion

### 2.1. Rationale of the Proposed Scheme (as per extract of draft Proposed Scheme of arrangement)

2.1.1. The aforesaid businesses (as mentioned in clause 1.1 above) have been nurtured over a period of time and are currently at different stages of growth. The Demerged Undertakings (as more fully set forth in the Proposed Scheme) and the Remaining Undertaking (as more fully set forth in the Proposed Scheme) have distinct capital requirements, nature of risk, competition, human skill-set requirements, etc. The segregation of businesses as envisaged in the Proposed Scheme will enable sharper focus and better alignment of the businesses to its customers. It shall also enable the respective businesses to improve competitiveness, operational efficiencies and strengthen its position in the relevant marketplace.

2.1.2. The Proposed Scheme shall enable each of the respective Demerged Undertakings and the Remaining Undertaking to attract interest of such investors and strategic partners having the necessary ability, experience and interests and shall provide an opportunity to the investors to select investments which best suit their investment strategies and risk profiles.

2.1.3. The implementation of this Proposed Scheme will result in:

- a. creation of separate and distinct entities housing the Demerged Undertakings and the Remaining Undertaking;
- b. optimal monetisation and development of each of the respective businesses, including by attracting focussed investors and strategic partners having the necessary ability, experience and interests in the relevant sectors;



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- c. dedicated and specialised management focus on the specific needs of the respective businesses; and
- d. benefit to all stakeholders, leading to growth and value creation in long run and maximising the value and return to the shareholders, unlocking intrinsic value of the assets, achieving cost efficiencies and operational efficiencies.

2.1.4. The Scheme is in the interest of all the Companies involved in the Proposed Scheme, including their respective stakeholders and creditors.

## 2.2. Sources of Information

- i) Draft Proposed Scheme.
- ii) Valuation report dated November 8, 2017, issued by Santosh K Singh & Co., Chartered Accountants.
- iii) Audited Balance Sheet and Statement of Profit & Loss along with the relevant notes of Demerged Company for the financial year ended March 31, 2017.

## 2.3. Valuer's Analysis

The Clause VIII of Share entitlement ratio report provides the ratio for the allotment of shares by resulting Company 1, for the demerger of, (a) Demerged Undertaking 1 into Resulting Company 1, and (b) Demerged Undertaking 1 into Resulting Company 2, which is as follows -

*"for every 1 (one) equity share of face value of INR 2/- (Rupees two only) each held in HSIL Limited as on the Appointed Date, the equity shareholders of HSIL Limited shall be issued 1 (one) equity share of face value Rs. 2/- (Rupees two only) each in Resulting Company 1, credited as fully paid-up."*

## 3. Conclusion and Our Opinion

- 3.1. With reference to above and based on information provided by Management and after discussions with the Valuers, we understand that the Proposed Scheme has been structured to enable Demerged Undertakings to capitalize on growth opportunities and unlock the potential value of businesses of distinct nature of the Demerged Company. Pursuant to the Proposed Scheme, the shareholders of HSIL shall be issued shares by the Resulting Company 1, which shall also be listed on the same Stock Exchanges on which the shares of the Demerged Company are listed.
- 3.2. We further understand that the shares issued by the Resulting Company 1 shall be for demerger of Demerged Undertaking 1 and Demerged Undertaking 2. Considering that the Resulting Company 2, a company carrying on the business of BPDM Undertaking, continues as a wholly owned company of Resulting Company 1, it shall be held indirectly by the shareholders of HSIL Limited.
- 3.3. We also understand that, the proposed cancellation and reduction of share capital of the Resulting Company 1, to the extent held by the Demerged Company, will result in creation of mirror image proportionate shareholding of the Resulting Company 1, as that of the Demerged Company (i.e. economic interest of both companies shall remain intact in the hands of the shareholders of the



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Demerged Company and in the same ratio). Thus, the interest of shareholders remains unaffected post the coming into effect of the Proposed Scheme.

*"Considering above and subject to our caveats as provided in Annexure 1, we as a Merchant Banker hereby certify that we have reviewed the share entitlement ratio report for the Proposed Scheme of arrangement for demerger of CPDM Undertaking and Retail Undertaking of HSIL Limited to Resulting Company 1 and demerger of BPDM Undertaking of HSIL Limited to Resulting Company 2 and are of the opinion that share entitlement ratio of*

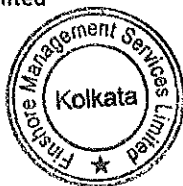
- a. 1 (one) equity shares of face value INR 2 (Rupees Two) each at par in Resulting Company 1 for every 1 (one) equity shares of face value of INR 2 (Rupees Two) held in the Demerged Company,
- b. in consideration of transfer and vesting of CPDM and Retail Undertaking in Resulting Company 1 and BPDM undertaking in Resulting Company 2,

*as fair and reasonable to the equity shareholders of HSIL Limited."*

Thanking You,

For Finshore Management Services Limited

Director



SEBI Registered Category I Merchant Banker  
SEBI Registration No.: INM 000012185

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Annexure

**Caveats**

1. Our opinion and analysis is limited to the extent of review of documents as provided to us by the Management of HSIL Limited, including the share entitlement ratio report prepared by Santosh K Singh & Co., Chartered Accountants and draft Proposed Scheme. We have relied on accuracy and completeness of all the information and explanations provided by the Management. We have not carried out any due diligence or independent verification or validation to establish its accuracy or sufficiency. We have not conducted any independent valuation or appraisal of any of the assets or liabilities of demerged company/ resulting companies or their subsidiaries, if any.
2. We have no present or planned future interest in HSIL Limited / Somany Home Innovation Limited / Brilloca Limited and the fee payable for this opinion is not contingent upon the opinion reported herein. HSIL Limited has been provided with an opportunity to review the draft opinion as a part of our standard practice to make sure that factual accuracy / omissions are avoided in our final opinion.
3. Our fairness opinion is not intended to and does not constitute a recommendation to any shareholders as to how such holder should vote or act in connection with the Proposed Scheme or any matter related thereto.
4. The Opinion contained herein is not intended to represent, at any time other than the date that is specifically stated, in this Report. We have no responsibility to update this report for events and circumstances occurring after the date of this Report.
5. Our report should not be construed as an opinion or certificate certifying the compliance of the Proposed Scheme with the provisions of any law, including companies, taxation and capital markets related laws or as regards any legal implication or issues arising from the proposed demerger.



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