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Fairness Opinion

Scheme of Arrangement involving Amalgamation

of

**Legend Distilleries Private Limited
(Transferor Company)**

With

**Som Distilleries & Breweries Limited
(Transferee Company)**

**Prepared by:
ARIHANT Capital Markets Limited
Merchant Banking Division
Mumbai**

August 22, 2014

The information contained herein is of a confidential nature and is intended for the exclusive use of the persons for whom it was prepared.

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1. Background

We note that Som Distilleries & Breweries Limited ("Som" or "Transferee Company") is a company incorporated under the Companies Act, 1956 ("Companies Act" or "the Act") having its registered office at 1-A Zee plaza, Arjun nagar, Safdarjang Enclave; New Delhi-110029. As reported by the Company, the equity shares of SOM are listed at Bombay Stock Exchange Limited ("BSE") and National Stock Exchange of India Ltd ("NSE").

SOM is presently engaged in the business of brewing, fermentation, bottling, canning and blending of Beer and manufacturing of Indian Manufactured Foreign Liquor (IMFL).

Legend Distilleries Private Limited ("Legend" or "Transferor Company") is a company incorporated under the provisions of Companies Act, 1956 having its registered office at 23, Zone-II, M.P. Nagar, Bhopal, Madhya Pradesh.

Legend is presently engaged in the business of manufacturing of IMFL. Legend has its manufacturing facilities at Bilaspur, Chhattisgarh. The Transferor Company is unlisted and it belongs to the Promoter group of Transferee Company.

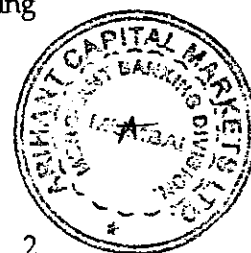
Considering the fact that Legend and SOM are engaged in the same business of manufacturing and marketing of IMFL and with the objectives of economies in marketing, legal services, purchases, accounts, secretarial, management, finance, borrowings etc., the Board of Directors of SOM and Legend thought it fit to consolidate the business activities of Legend with SOM so as to facilitate focused management attention and create a stronger base for the future growth of the consolidated entity.

In order to give effect to the desired objective of amalgamation, the directors of SOM and Legend decided to merge Legend with SOM through a scheme of amalgamation pursuant to Sections 391 to 394 of the Companies Act 1956 and other applicable provisions of Companies Act, 2013.

Towards this purpose, the Board of Directors of SOM have provided us with a certified copy of the proposed scheme of amalgamation between SOM and Legend which has been considered and approved at their respective board meetings held on August 14, 2014.

2. Reference & Context

As the equity shares of SOM are listed on BSE and NSE, it is bound by the listing agreement and the provisions thereof as amended from time to time.



We, Arihant Capital Markets Ltd., have been appointed to issue a fairness opinion as required under Clause 24(h) of the listing agreement (inserted vide SEBI circular no. SEBI/CFD/DIL/LA/2008/4/09 dated September 4, 2008) read with SEBI Circular no. CIR/CFD/DIL/8/2013 dated February 4, 2013 and SEBI Circular No.CIR/CFD/DIL/8/2013 dated May 21, 2013 on valuation of assets done by an independent valuer for the Transferor Company and Transferee Company.

We are a SEBI registered merchant banker and are not associated with SOM as merchant banker / consultant save for this fairness opinion and are not their associate.

We have applied ourselves towards formation and expression of the opinion on the valuation of companies undergoing amalgamation done by the valuer CA Gopal Saraf, Proprietor of M/s. Gopal Saraf & Co, Chartered Accountants, Membership no: 075827, having their office at 18-B, Zone II, MP Nagar, Bhopal 462 011.; Tel no. 0755-2762799 / 4076825, ("valuer") in relation to this proposed scheme of amalgamation.

This Fairness Opinion is issued pursuant to our Offer letter dated May 08, 2014 setting forth the terms and scope of services between ARIHANT and SOM.

3. Proposed Transaction

SOM proposes to amalgamate Legend with itself. The proposed structure is as per the scheme of amalgamation provided to us by SOM.

As per the scheme, equity shares will be issued by the Transferee Company to shareholders of Transferor Company. The Management of SOM has confirmed to us that pursuant to allotment of shares under the scheme, the promoter group's shareholding in SOM will go up from 22.557 % to 26.431% but there is no change in the management control of SOM post approval of the scheme of amalgamation.

4. Engagement

The management of SOM has requested ARIHANT Capital Markets Limited ("ARIHANT" or "We / Us / Our") to express an opinion about fairness of the valuation done by the valuer from a financial point of view in accordance with clause 24(h) of the listing agreement, to the Shareholders (the "Fairness Opinion").

This Fairness 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 proposed amalgamation transaction.

This opinion does not in any way constitute a recommendation by ARIHANT to any Shareholder as to whether such shareholder should approve or reject the proposed transaction, in cases where voting by public shareholders is warranted. We urge you to read this Fairness Opinion carefully and entirely.



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

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

The Company has furnished to us a certified copy of the Board approved scheme of amalgamation and has undertaken to notify us in case of any modifications carried out in the proposed scheme already furnished to us.

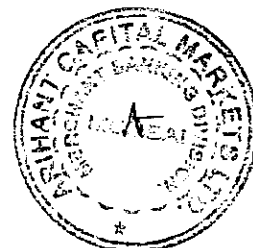
Our current opinion is based on the assumption that the proposed scheme of amalgamation shared with us will be adopted by both the companies as such.

5. Basis of forming Opinion

5.1 Documents and Information Considered

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

1. Certain publicly available business and financial information relating to SOM.
2. Copy of the audited annual financial statements of SOM for the financial year ended March 31, 2014.
3. Copy of the audited annual financial statements of Legend for the financial year ended March 31, 2014
4. Copy of the proposed Scheme of Amalgamation to be approved by the Boards of Directors of the respective companies (certified to be true by SOM).
5. Certified copy of the valuation report of the valuer M/s. Gopal Saraf & Co, Chartered Accountants, Membership no: 075827, dated July 12, 2014 on the valuation for the proposed scheme.
6. Pre-amalgamation shareholding pattern of Transferor Company and Post-amalgamation shareholding pattern of the Transferee Company.
7. Performed such other financial reviews and analyses as ARIHANT, in its absolute discretion, deemed appropriate.



5.2 Assumptions and Limiting Conditions

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

ARIHANT has assumed and relied upon the truth, accuracy and completeness of the information, data and financial terms provided to us or used by us, and has assumed that the same are not misleading 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 SOM or the Transferor Company.

With respect to the financial valuation, ARIHANT has assumed that they have been reasonably prepared on bases reflecting the best available estimates and judgments of the management of the Company at that time and carefully considered by the Valuer, and that no event subsequent to this and undisclosed to ARIHANT has had a material effect on them. ARIHANT does not assume or accept liability or responsibility for (and expresses no view as to) the assumptions on which they are based.

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

Further, ARIHANT's opinion is necessarily based on financial, economic, monetary, market and other conditions as in effect on, and the information made available to ARIHANT or used by it up to, the date hereof. This opinion exclusively focuses on the fairness, from a valuation point of view, of the shares done by the valuer and does not address any other issues such as the underlying business decision to recommend the transaction or its commercial merits or the rationale or the intentions thereof, which are matters solely for the Boards of Directors of SOM and the Legend to address and further to be confirmed by the shareholders of both the companies, as may be required. Arihant has assumed bona fide intentions on part of both SOM and Legend with regard to this decision.

ARIHANT's formation of fairness opinion is based on information supplied by SOM, 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 SOM.



In rendering this opinion, ARIHANT has not provided legal, regulatory, tax, accounting or actuarial advice and accordingly ARIHANT does not assume any responsibility or liability in respect thereof *inter alia* the compliance of relevant provisions of Companies Act, 2013 or other statutes as may be applicable. Furthermore ARIHANT has assumed that the proposed transaction will be consummated on the terms and conditions as set out in the proposed Scheme of Amalgamation, without any material changes to, or waiver of, its terms or conditions.

The Valuer has based the valuation on the audited financial statements of the year ended March 31, 2014 and management has also certified that the recorded values of assets and liabilities stated in the audited Balance Sheets of the Transferor and Transferee Company as of March 31, 2014 reflect true and fair view of the state of affairs of respective companies. As such, complete reliance is placed on these financial figures to be correct.

6. Valuation Approaches and their Review

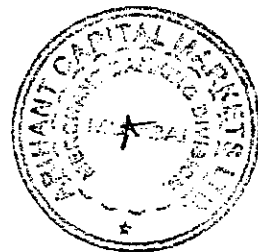
6.1. Overview

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, ARIHANT has made a qualitative assessment of the appropriateness of the method and subsequent application. Accordingly, ARIHANT 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.

6.2 Valuation

ARIHANT has reviewed the method of valuation adopted by the valuer. Their report states that the Transferor Company is a company engaged in same line of business and equity shares are proposed to be issued by the Transferee Company as consideration for the proposed merger.

The valuer has derived the respective valuation of the Transferor and Transferee companies through EBIDTA multiple based on public transaction in the industry.



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Further, the Management Representation Letter dated July 25, 2014, provided by SOM states, *interalia*, the following

“recorded values of assets and liabilities stated in the audited Balance Sheets of the Transferor and Transferee Company as of March 31, 2014 reflect true and fair view of the state of affairs and no events have taken place after the Balance Sheet date which have a material impact on the said values.”

6.3 Analysis of the Valuation


In the role of merchant banker giving an opinion about fairness of the valuation (mentioned above) done by the valuer, we had to examine whether the basis of arriving at the above value and the valuation conclusion was fair. In the instant case, we performed certain procedures and made certain enquiries with the management of SOM and the valuer. Some of the procedures / activities performed and the findings are mentioned below:

- Noted that the scheme involves merger of a promoter group company with the listed group company wherein equity shares will be issued by the Transferee Company based on relative valuation of the two companies.
- Noted the methodology of arriving at the Equity Value of the Transferor Company and the Transferee Company and the same seems appropriate.
- Noted that the EBIDTA multiple of a recently concluded transaction of a listed company is applied to both the companies uniformly.
- Noted the fact that the valuation is based on audited financial performance of the two companies as on 31.03.2014.
- Noted the management’s confirmation that the values of assets and liabilities as appearing in the audited Balance Sheet of Transferor and Transferee Companies as on March 31, 2014, reflect true and fair view of the state of affairs.

7. Opinion

Based upon and subject to the foregoing, we are of the opinion on the date hereof, that the valuation done by the valuer for the proposed scheme of amalgamation is fair.

For Arihant Capital Markets Limited
(Merchant Banking Division)


Authorized Signatory
(SEBI REGN. No. INM 000011070)

