



STRICTLY PRIVATE & CONFIDENTIAL

February 7, 2014

<p>The Board of Directors Godrej Industries Limited Phirojshanagar, Eastern Express Highway, Vikroli (E), Mumbai - 400 079.</p>	<p>The Board of Directors Wadala Commodities Limited 107, Gold Arcade, 3/1 New Palasia, Opp. Curewell Hospital, Indore - 452001.</p>
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Dear Sirs,

Fairness Opinion on the Equity share exchange ratio for the proposed amalgamation of Wadala Commodities Limited (WCL) with Godrej Industries Limited (GIL)

This has a reference to the engagement letter dated January 30, 2014 addressed to Godrej Industries Limited and Wadala Commodities Limited on the above subject.

We understand that the managements of WCL (Transferor Company) and GIL (Transferee Company) are proposing Scheme of Amalgamation between WCL, GIL and their respective shareholders pursuant to the provisions of Sections 391 to 394 of the Companies Act, 1956, (The Act) and other applicable provisions of the Act and/or Rules/Regulations made there under with effect from April 1, 2014 (hereinafter referred to as the "Scheme"). The Scheme is subject to approval by the High Courts of the respective jurisdictions. As a part of the Scheme, WCL will be amalgamated with GIL and cease to exist.

We understand from the management that the shareholders of WCL be issued shares of GIL as consideration for the proposed amalgamation of WCL with GIL. For the aforesaid purpose the managements of GIL and WCL have appointed SSPA & Co (SSPA) as valuer (referred to as Valuer) to prepare a valuation report on the fair exchange ratio for issue of GIL shares to the shareholders of WCL, to be placed before the respective Audit Committees of the Companies as per the requirement of SEBI circular CIR/CFD/DIL/5/2013 dated February 5, 2013. In this connection, we have been requested by GIL and WCL to render our professional services by way of a fairness opinion on the Swap Ratio from a financial point of view to the Board of Directors of the Company through the Audit Committee of the Board as to whether the Equity Share Exchange Ratio as recommended by the Valuer in their report dated February 7th, 2014 and based on the valuation analysis carried out by them, which forms the basis for the Amalgamation as per the aforesaid scheme is fair and reasonable. The fairness report is required as per clause 24(h) of the Listing Agreement.

1. Background

(A). Godrej Industries Limited (GIL)

GIL was originally incorporated in Gujarat on March 7, 1988 as Godrej Innovative Chemicals Limited, under the provisions of The Companies Act 1956, which was subsequently changed to Godrej Soaps Limited and the Registered Office was shifted from Gujarat to Vikhroli, Mumbai March 1, 1996.

Certified to be True

For Wadala Commodities Limited

R. P. Patil

Company Secretary

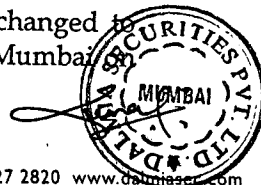


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Pursuant to corporate restructuring in April 2001, the name of the company was changed to Godrej Industries Limited. It is a part of Godrej Group of companies. It is mainly in the businesses of oleo chemicals, surfactants, finance & investments and estate management. It has substantial interests in several industries including property development, oil palm plantation, animal feeds and agro-products, poultry, personal care and household care, etc., through its subsidiaries and associate companies. Godrej & Boyce Manufacturing Company Limited (GBMCL) is one of the promoters of GIL and holds 55.81 % of the paid up capital of GIL. Accordingly, GIL is the subsidiary of GBMCL. GIL is listed on BSE and NSE. Shareholding pattern of GIL as on December 31, 2013 is as under:

Category	Shareholding of equity shares (%)
Promoters	74.89
Public	25.11

Summary of Financials of GIL on Standalone basis for last three financial years is as under:

Year ending / As at March 31	Category	INR Cr		
		2011	2012	2013
	Total Revenue	1254.54	1469.76	1499.46
	Total Expenditure	1118.53	1362.08	1461.01
	Profit Before Tax	136.01	201.05*	97.16*
	Profit / After Tax	133.43	201.56	96.74
	Equity share capital (fully paid up)	31.76	31.76	33.52
	Reserves (net of revaluation reserves)	1046.90	1190.23	1582.88
	Net Worth	1078.66	1221.99	1616.40

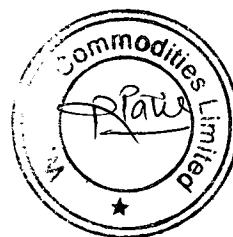
*including exceptional items
(Source: Annual reports)

(B). Wadala Commodities Limited (WCL)

WCL was incorporated as a private limited company on March 09, 1984 under the provisions of the Act, having its registered office in Indore. It is engaged in the business of bulk trading of vegetable oils.

Year ending / As at March 31	Category	INR lakh		
		2011	2012	2013
	Total Revenue	9.64	39.76	345.09
	Total Expenditure	13.17	37.73	321.35
	Profit Before Tax	(3.53)	2.03	23.74
	Profit / After Tax	(3.53)	2.03	18.14
	Equity share capital	216.26	216.26	216.26
	Preference capital@	450.00	450.00	450.00
	Reserves (net of revaluation)	(559.80)	(557.77)	(539.66)
	Net worth	106.46	108.49	126.6

@ Coupon rate is 0.01%. p.a (Face Value of Rs. 10/- per share out of which Rs. 9/- Called up and Paid Up). The Preference shares are entirely held by GBMCL.



2. Scheme of Amalgamation

The Salient features of the Draft Scheme are as under:

- a. All assets and liabilities of the Transferor Company shall be transferred to and vested in the Transferee Company pursuant to the Scheme and shall be recorded by the Transferee Company at their respective book values as may be determined by the Board of Directors. The difference, between the book value of assets and the book value of liabilities transferred to the Transferee Company, in case of excess, shall be credited to Capital Reserve Account and in case of shortfall, be debited to Goodwill Account.
- b. As both the companies are listed in the exchange there will be a swap of shares of WCL with those of GIL. The shareholders of WCL will be allotted shares of GIL on a ratio based on the valuation.
- c. Further, in order to ensure that the interest of the non-promoters shareholders of GIL is not prejudiced and to ensure that there is no dilution of shareholding of the non-promoters of GIL pursuant to the amalgamation of WCL with GIL, the Scheme envisages issue of bonus shares to the non-promoter category shareholders of GIL.
- d. The scheme also envisages issue of 10 equity shares of GIL to the preference share holder of WCL.

3. Scope of Engagement

This report is intended only for the sole use of GIL and WCL and in connection with the proposed Scheme including for the purpose of obtaining judicial and regulatory approvals for the amalgamation.

4. Sources of Information:

We have relied on the following information in issuing this fairness opinion for the purpose of the amalgamation:

1. Draft Scheme of Amalgamation under section 391 to 394 of the Act with regard to the proposed amalgamation;
2. Copy of Memorandum of Association and Articles of Association of GIL and WCL;
3. Shareholding pattern of GIL and WCL as on December 31, 2013;
4. Audited financial statement of GIL and WCL for the years ended March 31, 2013, March 31, 2012 and March 31, 2011 and management certified provisional consolidated financial statements of GIL and stand alone financial statements of WCL for six months ended September 30, 2013.
5. Valuation Report dated February 7, 2014 issued by M/s SSPA&Co, Chartered Accountants, Mumbai; and
6. Such other information, documents, data, reports, discussions and verbal & written explanations from GIL and WCL as well as advisors for merger/amalgamation to GIL/ WCL, public domain websites, as were considered relevant for the purpose of the Fairness Opinion.



5. Basis for Valuation:

5.1. Approach:

5.1.1 The valuers M/s. SSPA&Co have adopted the following methodologies for valuation of GIL and WCL:

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

5.1.2 Under the underlying assets, the assets have been valued on "going concern" basis at the book value. The net asset value of the equity shares have been computed by adjusting the value of the net assets attributable to equity holders as appearing in the books of accounts as at September 30, 2013 for, inter alia, the contingent liabilities adjusted for probability for devolvement, appreciation/diminution in value of investments, estimated net profit for second half of FY 2013-14 and dividend, inflow on account of Employee Stock Grant Scheme and amount payable to preference shareholder, etc. after making adjustments for tax, wherever applicable.

5.1.3 Under the income approach, the valuation has been done based on the maintainable profits on post tax basis, which has been discounted at an appropriate rate of capitalization to arrive at the enterprise value. Requisite adjustments have been accounted for deferred tax liability (net), value of investments, loans and advances to related parties, inter-corporate deposits, contingent liabilities adjusted for probability of devolvement, inflow on account of Employee Stock Grant Scheme, after making adjustment of tax wherever applicable. This approach has not been adopted by the valuer for valuation of WCL, as the company is into trading business and has been incurring losses.

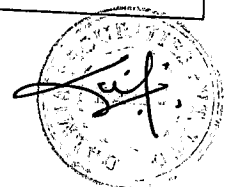
5.1.4 Under the market price approach, the volume weighted average market price for both the listed companies for the last six months have been taken by the valuer.

5.1.5 Based on the methodology adopted by the valuer, the value of equity shares of GIL are as under:

Approach	Value/share INR	Weight
Asset method	243.59	1
Income method (PECV)	273.64	2
Market price	271.28	2
Valuation of outstanding equity shares as on 31.01.2014 of GIL each of Face value of Re.1 each	266.69	

5.1.6 The Value of equity shares of WCL are as under:

Approach	Value/share INR	Weight
Asset method	0.65	1
Income method (PECV)	Not Applicable	
Market price	2.91	4
Valuation of outstanding equity shares as on 31.01.2014 of WCL each of Face value of Re.1 each	2.46	



5.1.7 Adjustments to retain the promoters' holding at same level post merger:

The shareholding pattern of GIL and WCL (Pre merger) are as under:

Particulars-GIL	Shares	%
Promoters	251,234,174	74.89
Non promoters	84,217,112	25.11
Total	335,451,236	100%
Particulars-WCL		
Promoters	11,046,635	51.08
Non promoters	10,579,603	48.92
Total	21,626,238	100%

As per the scheme, the promoters of WCL would receive 10 shares of GIL for the preference capital of Rs.450 lakh held by them.

Further, in order to ensure that the interest of the non-promoters shareholders of GIL is not prejudiced and to ensure that there is no dilution of shareholding of the non-promoters of GIL pursuant to the amalgamation of WCL with GIL, the Scheme envisages issue of bonus shares to the non-promoter category shareholders of GIL. Accordingly, the weighted average value of GIL would stand marginally modified to Rs. 266.63.

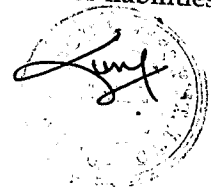
Based on the above premises, the valuer has recommended allotment of 1 (one) equity shares of GIL of Re. 1 each fully paid up for every 108 (One hundred and eight) equity shares of WCL of Re. 1 each fully paid up as part of the scheme of merger.

6. Exclusions and Limitations

Our report is subject to the scope limitations detailed hereinafter.

The report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein.

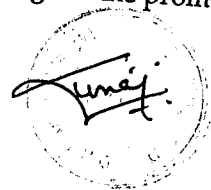
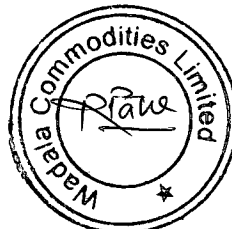
- 6.1. In the course of the present exercise, we were provided with both written and verbal information, including financial data. Our report is based on the information furnished to us being complete and accurate in all material respects. We have relied upon the historical financials and the information and representations furnished to us without carrying out any audit or other tests to verify its accuracy with limited independent appraisal. Also, we have been given to understand by the managements of the companies that they have not omitted any relevant and material factors. Accordingly, we do not express any opinion or offer any form of assurance regarding its accuracy and completeness. We assume no responsibility whatsoever for any errors in the above information furnished by the companies and their impact on the present exercise.
- 6.2. We have not conducted any independent valuation or appraisal of any of the assets or liabilities of the companies.



- 6.3. Our work does not constitute an audit, due diligence or verification of historical financials including the working results of the Companies or their business 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.
- 6.4. We express no opinion whatsoever and make no recommendation at all to the companies underlying decision to effect the proposed Scheme or as to how the holders of equity shares or secured or unsecured creditors of the Companies should vote at their respective meetings held in connection with the proposed Scheme. We do not express and should not be deemed to have expressed any views on any other term of the proposed Scheme. We also express no opinion and accordingly accept no responsibility or as to the prices at which the equity shares of GIL will trade following the announcement of the proposed Scheme or as to the financial performance of GIL following the consummation of the proposed Scheme
- 6.5. Our opinion is not, nor should it be construed as our opining or certifying the compliance of the proposed transfer with the provisions of any law including companies, taxation and capital market related laws or as regards any legal implications or issues arising thereon.
- 6.6. No investigation of the companies claim to the title of assets or property owned by the companies has been made for the purpose of this fairness opinion. With regard to the companies claim we have relied solely on representation, whether verbal or otherwise made, by the management to us for purpose of this report.
- 6.7. Our analysis and results are also specific to the date of this report. An exercise of this nature involves consideration of various factors. This report is issued on the understanding that the companies have drawn our attention to all the matters, which they are aware of concerning the financial position of the Companies, their businesses, and any other matter, which may have an impact on our opinion for the proposed merger, including any significant changes that have taken place or are likely to take place in the financial position of the Companies or their businesses subsequent to the proposed Appointed Date for the proposed Scheme. We have no responsibility to update this report for events and circumstances occurring after the date of this report. We assume no responsibility for updating or revising our opinion based on circumstances or events occurring after the date hereof.
- 6.8. This report has been issued for the sole purpose to facilitate the Company to comply with clause 24(f) and 24(h) of the Listing Agreement and SEBI Circular No CIR/CFID/DIL/5/2013 dated 4 February 2013 and CIR/CFD/DIL/8/2013 dated 21 May 2013 and it shall not be valid for any other purpose.

7. Opinion & Conclusions

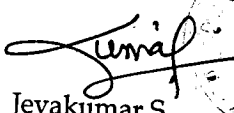
With reference to above and based on information provided by the management of the entities forming part of the amalgamation and after analyzing the Draft Scheme, we understand that the present Scheme has been intended to merge WCL into GIL. There will be no change in the promoter and public shareholding pattern of the resulting public listed Company i.e. GIL.





In light of the forgoing and subject to the caveats as detailed hereinbefore, we as a Merchant Banker hereby certify that, in our opinion the exchange ratio of allotment of one equity share of Godrej Industries Limited of face value of Re.1/- share in exchange of 108 equity shares of Wadala Commodities Limited of face value of Re.1/- share to the equity shareholders of Wadala Commodities Limited as part of Scheme of Amalgamation is fair and reasonable.

For *Dalmia Securities Private Limited*


Jeyakumar S
COO- Investment Banking

