

May 22, 2024

To,

**The Board of Directors,
HEG Limited**
Bhilwara Towers,
A-12, Sector-1,
Noida-201 301(NCR Delhi),
India

Sub: Fairness opinion to the Board of Directors of HEG Limited (HEG or Company) on the recommendation of Share Entitlement / Exchange Ratios for demerger of Graphite Business to New Co. and merger of Bhilwara Energy Limited (BEL) into HEG (Proposed Transaction)

In terms of our engagement with HEG dated May 21, 2024, HEG has requested ICICI Securities (I-Sec) to provide a fairness opinion to the Board of Directors of HEG on the Share Entitlement / Exchange Ratios recommended by the Registered Valuers for the proposed Composite Scheme of Arrangement (Scheme), pursuant to Section 230 to 232 and other applicable provisions of Companies Act, 2013.

BACKGROUND, PURPOSE AND USE OF THIS FAIRNESS OPINION

HEG is a leading manufacturer and exporter of graphite electrodes in India and operates world's largest single-site integrated graphite electrodes plant. It also operates three power generation facilities with a total capacity of about 76.5 MW. Its equity shares are listed on the BSE Limited and NSE.

New Co. (Resulting Company) is a company incorporated under the provisions of the Act.

BEL is a company incorporated under the provisions of the Companies Act, 1956, engaged in the business of establishment, operation and maintenance of power generating stations and tie-lines, substations and main transmission lines connected therewith. Currently, it is engaged in generation of wind power through 14 MW wind power project situated in Maharashtra.

HEG and BEL are hereinafter jointly referred to as the "Companies"

We understand that the scheme contemplates the following steps:

- (i) Demerge Graphite business of HEG into New Co. ("Demerger");
- (ii) Merger of BEL into HEG ("Merger")

The Company has appointed PWC Business Consulting Services LLP ("PWC") as Registered Valuer to determine and recommend the Share Entitlement / Exchange Ratio for the Scheme, on a going concern basis with 18 May 2024 being the valuation date. In this connection, pursuant to the requirements of SEBI Master Circular SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated 20 June 2023, we have been requested by the Board of Directors of HEG to render an opinion on whether the Share Entitlement / Exchange Ratio determined and recommended by the Registered Valuers vide their report dated 22 May 2024, is fair.



The Registered Valuer has recommended the following Share Entitlement / Exchange Ratios for the steps contemplated in the Scheme:

Share Entitlement Ratio for Demerger:

“1 equity share of New Co. (of INR 10 each fully paid up) for every 1 equity share of HEG (of INR 10 each fully paid up).”

Share Exchange Ratio for Merger:

“8 equity shares of HEG (excluding Graphite Business) (of INR 10 each fully paid up) for every 35 equity shares of BEL (of INR 10 each fully paid up)”.

The aforesaid Share Entitlement / Exchange Ratios for Demerger and Merger are collectively referred to as “**Ratios**”.

This fairness opinion is intended only for the sole use and information of the Board of Directors of HEG and only in connection with the Proposed Transaction. We are not responsible in any way to any other person / party for any decision of such person or party based on this fairness opinion. Any person / party intending to provide finance / invest in the shares / business of any of the companies involved in the Transaction or their subsidiaries / joint ventures / associates 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 hereby notified that any reproduction, copying or otherwise quoting of this fairness opinion or any part thereof, other than in connection with the Transaction as aforesaid can be done only with our prior permission in writing.

SOURCES OF INFORMATION

In arriving at our opinion set forth below, we have relied on:

1. Audited financial statements of the HEG and its investee companies for the last three years ended 31 March 2024;
2. Considered the carve out financials of HEG (excluding Graphite Business) for the last three years ended 31 March 2024;
3. Considered the financial projections of the HEG and its investee companies from 01 April 2024 to 31 March 2029, including key underlying assumptions with respect to the projected profit & loss account, and projected balance sheet;
4. Details of surplus assets such as real estate and valuation report/ estimates thereof;
5. The draft Scheme of Arrangement;
6. Market prices of HEG as published by NSE;
7. Other information and documents that we considered necessary for the purpose of this engagement.

SCOPE LIMITATIONS

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

Our work does not constitute an audit, due diligence or certification of the historical financial statements in relation to the Companies including their respective working results or businesses referred. Accordingly, we are unable to and do not express an opinion on the accuracy of any financial



information referred to in this fairness opinion. Our analysis and results are specific to the purpose of the exercise of giving our fairness opinion as described hereinabove. It may not be valid for any other purpose or if provided on behalf of any other entity. Our fairness opinion is addressed to and is solely for the benefit of the Board of Directors of HEG and should not be publicly or otherwise circulated, provided or disclosed to any person, authority (including regulatory authority), entity or any public or private platform without our prior written consent. No other person, entity or regulatory authority shall, save with our written consent, rely on this opinion or any part thereof.

We have considered financial information in our analysis and have made adjustments for facts made known to us till the date of our report, including taking into consideration current market parameters. An exercise of this nature involves consideration of various factors. This fairness opinion is issued on the understanding that each of the Companies have drawn our attention to all the matters which may have an impact on our opinion including any significant changes that have taken place or are likely to take place in the financial position or businesses upto the date of approval of the Scheme by the Board of Directors. We have no responsibility to update this fairness opinion for events and circumstances occurring after this date.

In the course of the present exercise, we were provided with both written and verbal information, including financial data. The terms of our engagement were such that we were entitled to rely upon the information provided without detailed inquiry. Also, we assume that the management of each of the Companies, has not omitted any relevant and material factors for the purposes of the work which we have undertaken in connection with this fairness opinion.

We express no opinion whatsoever and make no recommendation at all to the shareholders or secured or unsecured creditors of each of the Companies, as to how they should vote at their respective meetings held in connection with the Scheme. We do not express and should not be deemed to have expressed any views on any other term of the Scheme. We also express no opinion and accordingly accept no responsibility with respect to the financial performance of the Companies following the consummation of the Scheme. We also express no opinion on the likely market price of the Companies post the consummation of the Scheme.

No investigation with respect to the claim to title of assets of each of the Companies has been made for the purpose of this exercise and the same has been assumed to be valid. We have not placed any individual value on the assets of each of the Companies and have also not considered any liens or encumbrances on the same. Further we have not opined and accordingly do not take responsibility whatsoever for matters of a legal nature. Also, we are not opining on matters related to taxation. This fairness opinion should not be construed as a certification regarding the compliance of the Scheme with the provisions of any law including Companies Act, tax laws and capital market related laws or as regards any legal implications or issues arising from the Scheme.

In the ordinary course of business, ICICI Securities Limited and its affiliates is engaged in securities trading, securities brokerage and investment activities, as well as providing investment banking and investment advisory services. In the ordinary course of its trading, brokerage and financing activities, any member of ICICI Securities Limited may at any time hold long or short positions, and may trade or otherwise effect transactions, for its own account or the accounts of customers, in debt or equity securities or senior loans of any company that may be involved in the Scheme.

In arriving at our opinion, we have assumed and relied upon, without any independent verification or validation, the accuracy and completeness of the financial and other information and data publicly



available or provided to or otherwise reviewed by or discussed with us and have relied upon the assurances of the management of HEG that they are not aware of any facts or circumstances that would make such information or data inaccurate or misleading in any material respect. With respect to the financials and forecasts, we have been advised by HEG, and have assumed, that: (i) they have been reasonably prepared and/or confirmed on bases reflecting the best currently available estimates and good faith judgements of the management of HEG as to the future financial performance of the Companies or their respective subsidiaries and/or associates, and (ii) they are based on the understanding of the management of HEG of the current business strategy, operations, competition and macro-economic indicators and involves known and unknown risks, uncertainties, assumptions, and other factors that may cause the actual results to be materially different from any future results, performance or achievements expressed or implied by the financials and forecast of the Companies or their respective subsidiaries and/or associates.

Without limiting the generality of the foregoing, we have also assumed, at the direction of HEG, their respective subsidiaries and associates, as applicable, will receive all statutory clearances with respect to their respective operations in accordance with the assumptions regarding such clearances in their financials and forecasts.

We have been informed by the management of HEG that the financials and forecasts provided to us have been prepared in accordance with Indian Accounting Standards (Ind-AS). We have not made or been provided with any independent evaluation or appraisal of the assets or liabilities (contingent or otherwise) of the Companies or their respective subsidiaries and/or associates, as applicable, and/or any other entity (other than the Valuation Report, which we have reviewed and relied upon without independent verification for purposes of this opinion), nor have we made any physical inspection or title verification of the properties or assets of the Companies, their respective subsidiaries and/or associates, as applicable, and/or any other entity, and we do not express any opinion as to the value of any asset of the Companies, their respective subsidiaries and/or associates, as applicable, and/or any other entity, whether at current prices or in the future. We have not evaluated the solvency or fair value of the Companies, their respective subsidiaries and/or associates, as applicable, and/or any other entity under the laws of India or any other laws relating to bankruptcy, insolvency or similar matters.

We have assumed, at the direction of HEG, that the Transaction will be consummated in accordance with its terms, without waiver, modification or amendment of any material term, condition or agreement and that, in the course of obtaining the necessary governmental, judicial, regulatory and other approvals, consents, releases and waivers for the Transaction, no delay, limitation, restriction or condition, including any divestiture requirements or amendments or modifications, will be imposed that would have an adverse effect on HEG, their respective subsidiaries and/or associates, as applicable, and/or any other entity or the contemplated benefits of the Transaction. We also have assumed, at the direction of HEG, that the final executed Scheme will not differ in any material respect from the Draft Scheme reviewed by us.

We have not undertaken any independent analysis of any potential or actual litigation, regulatory action, possible unasserted claims, or other contingent liabilities, or any settlements thereof, to which HEG, their respective subsidiaries and/or associates, as applicable, and/or any other entity, are or may be a party or are or may be subject, and this opinion does not consider the potential effects of any such litigation, actions, claims, other contingent liabilities or settlements.

We express no view or opinion as to any terms or other aspects or implications of the Transaction (other than the Ratios to the extent expressly specified herein), including, without limitation, the form or



structure of the Transaction, the taxation impact of the Transaction or the Equity Shares issued and allotted under the Transaction or any terms or other aspects or implications of any other agreement, arrangement or understanding entered into in connection with or related to the Transaction or otherwise. We were not requested to, and we did not, participate in the negotiation of the terms of the Transaction. Our opinion does not address any matters otherwise than as expressly stated herein, including but not limited solely to matters such as corporate governance, shareholder rights or any other equitable consideration, and is limited to the fairness, from a financial point of view, to the Public Shareholders of HEG of the Ratios provided for in the Scheme and no opinion or view is expressed with respect to any consideration received in connection with the Transaction by the holders of any other class of securities, creditors or other constituencies of any party. In addition, no opinion or view is expressed with respect to the fairness (financial or otherwise) of the amount, nature or any other aspect of any compensation to any of the officers, directors or employees of any party to the Transaction, or class of such persons, relative to the Ratios. Furthermore, no opinion or view is expressed as to the relative merits of the Transaction in comparison to other strategies or transactions that might be available to HEG or in which HEG might engage or as to the underlying business decision of HEG to proceed with or effect the Transaction. Further, HEG will remain solely responsible for the commercial assumptions on which this opinion is based and for its decision to proceed with the Transaction.

Further, our opinion does not take into account any corporate actions of HEG after the date hereof, including payment of dividends. We are not expressing any opinion as to what the value of the Equity Shares actually will be when issued or the prices at which the Equity Shares will trade at any time, including following announcement or consummation of the Transaction. In addition, we express no opinion or recommendation as to how any shareholder, creditor or other person should vote or act in connection with the Transaction or any related matter. In addition, we are not expressing any view or opinion with respect to, and have relied, with the consent of HEG, upon the assessments of representatives of HEG regarding, legal, regulatory, accounting, tax and other matters relating to the Companies, any of their respective subsidiaries and/or associates, as applicable, or any other entity and the Transaction (including the contemplated benefits of the Transaction) as to which we understand that HEG obtained such advice as it deemed necessary from qualified professionals.

We have also assumed that all aspects of the Transaction and any other transaction contemplated in the Scheme would be in compliance with applicable laws and regulations, and we have issued this opinion on the understanding that we would not in any manner verify, or be responsible for ensuring, such compliance, including without limitation, compliance with the provisions of SEBI Regulations. Without prejudice to the generality of the foregoing, we express no opinion and have assumed that the Transaction will not trigger obligation to make open offers under the Securities Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, as amended and accordingly, we have not considered the consequences or impact on ICICI Securities, if any such offers are mandated, and we have also assumed that the Transaction will not result in any adverse effect on ICICI Securities or its business, whether under tax or other laws or under the terms of any license or approval.

We have acted as financial advisor to the Board of Directors of HEG to render this opinion and will receive a fee for our services, which will be paid upon the rendering of this opinion. In addition, HEG has agreed to reimburse our expenses (subject to certain restrictions) and indemnify us against certain liabilities arising out of our engagement.

We and our affiliates comprise a full-service securities firm and commercial bank engaged in securities, commodities and derivatives trading, foreign exchange and other brokerage activities, and principal



investing as well as providing investment, corporate and private banking, asset and investment management, financing and financial advisory services and other commercial services and products to a wide range of companies, governments and individuals. In the ordinary course of our businesses, we and our affiliates may invest on a principal basis or on behalf of customers or manage funds that invest, make or hold long or short positions, finance positions or trade or otherwise effect transactions in equity, debt or other securities or financial instruments (including derivatives, bank loans or other obligations) of HEG and their respective subsidiaries, joint ventures, associates and/or affiliates.

We and our affiliates in the past have provided, currently are providing, and in the future may provide, investment banking, commercial banking and other financial services to HEG and its subsidiaries, joint ventures, associates and/or affiliates, and have received or in the future may receive compensation for the rendering of these services.


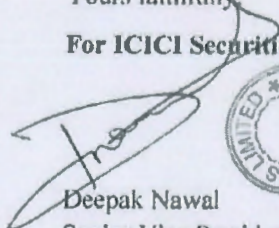
It is understood that this letter is for the benefit and use of the Board of Directors of HEG (in its capacity as such) in connection with and for purposes of its evaluation of the Transaction and is not rendered to or for the benefit of, and shall not confer rights or remedies upon, any person other than the Board of Directors of HEG. This opinion may not be disclosed, referred to, or communicated (in whole or in part) to any third party, nor shall any public reference to us be made, for any purpose whatsoever except (i) with our prior written consent in each instance; (ii) as required to be disclosed by HEG to the Stock Exchanges pursuant to applicable laws and may be disclosed on the website of HEG and the Stock Exchanges to the extent required under applicable laws and further may also be made a part of the explanatory statement to be circulated to the shareholders and/or creditors of HEG; and (iii) as required to be disclosed to relevant judicial, regulatory or government authorities, in each case only as may be mandatorily required by applicable laws. Our opinion is necessarily based on financial, economic, monetary, market and other conditions and circumstances as in effect on, and the information made available to us as of, the date hereof. It should be understood that subsequent developments may affect this opinion, and we do not have any obligation to update, revise, or reaffirm this opinion.

RATIONALE & CONCLUSION

In the circumstances, having regard to all relevant factors and on the basis of information and explanations given to us, we are of the opinion on the date hereof, that the Share Entitlement / Exchange Ratios, as recommended by the Registered Valuer is fair.

Yours faithfully,

For ICICI Securities Limited,



Deepak Nawal
Senior Vice President
ICICI Securities, Mumbai
Date: May 22, 2024

June 11, 2024

To,

**The Board of Directors,
HEG Limited**
Bhilwara Towers,
A-12, Sector-1,
Noida-201 301(NCR Delhi),
India

**Ref: Fairness opinion dated 22 May 2024 on the recommendation of Share Entitlement/
Exchange Ratios for the Scheme (as defined hereinafter)**

Dear Sir/ Madam,

We refer to our fairness opinion dated 22 May 2024 (“Fairness Opinion”) in relation to the composite scheme of arrangement (“Scheme”) under the provisions of Sections 230 to 232 of the Companies Act, 2013, other applicable laws and rules issued thereunder, whereby the Scheme contemplates the following steps:

- (i) Demerge Graphite business of HEG into New Co. ("Demerger");
- (ii) Merger of BEL into HEG ("Merger")

We are informed *vide* your email dated 10 June 2024 that the New Co. referred in our Fairness Opinion has been incorporated on 4 June 2024 as HEG Graphite Limited. Accordingly, we confirm that the Fairness Opinion can be used for the Scheme by HEG Graphite Limited.

Please note that all the terms of the Engagement Letter and the clauses mentioned in the Fairness Opinion shall remain the same and are applicable to HEG Graphite Limited.

Our Fairness Opinion dated 22 May 2024 should be read in conjunction with this letter.

Yours faithfully,

For ICICI Securities Limited,



Deepak Nawal
Senior Vice President
ICICI Securities, Mumbai
Date: June 11, 2024