

REGISTERED VALUER
SECURITIES OR FINANCIAL ASSETS
Regd. No. IBBI/RV/06/2019/10657

JIGAR SHAH

Chartered Accountant
Insolvency Professional

Dated – 28th January 2020

To
Board of Directors
Meghmani Organics Limited
184 GIDC Phase-II
Vatva
Ahmedabad 382445
Gujarat

To
Board of Directors
Meghmani Finechem Limited
CH/1, CH/2, GIDC Industrial
Estate, Dahej, Tal. Vagra,
Bharuch 392130
Gujarat

To
Board of Directors
Meghmani Organochem Limited
1st, 2nd and 3rd Floor
Nr. Raj Bunglow, Nr. Safal
Profitaire, Prahlad Nagar, Satellite,
Ahmedabad 380 015, Gujarat

Subject - Recommendation of the share Entitlement Ratio for the proposed demerger of Agrochemical and Pigment Undertakings of Meghmani Organics Limited into Meghmani Organochem Limited and Share Exchange Ratio for the proposed merger of Remaining Business Undertakings of Meghmani Organics Limited into Meghmani Finechem Limited.

Dear Sir/Madam,

We refer to our ongoing discussion and the engagement letters whereby, Meghmani Organics Limited has requested us for advising them on following:

- Recommendation on the Share Entitlement Ratio on the Proposed demerger of Agrochemical and Pigment Undertakings of Meghmani Organics Limited (herewith referred to as 'MOL 1' or 'Demerged company' or 'companies') into Meghmani Organochem Limited (herewith referred to as 'MOL 2' or 'Resulting company'); and
- Recommendation of the Share Exchange Ratio on the proposed merger of Remaining Business Undertakings of Meghmani Organics Limited ('MOL 1') into Meghmani Finechem Limited (here referred to as 'MFL' or 'transferee company').

Meghmani Organics Limited, Meghmani Finechem Limited and Meghmani Organochem Limited are together referred to as the 'companies'.

We have been hereafter referred to as 'Valuer' or 'we' or 'us' and individually referred to as 'Valuer' in this joint Report ('Valuation Report' or 'Report').

SCOPE AND PURPOSE OF THIS REPORT

The management of Meghmani Organics Limited is planning to demerge its Pigment and Agrochem undertakings into Meghmani Organochem Limited and merge its Remaining Business Undertakings i.e. Trading & Investment Undertakings into Meghmani Finechem Limited.

The management of Companies is planning to restructure for further growth and Expansion in the interest of shareholder.

We understand that the management of the Companies ('Management') is contemplating a consolidation and realignment of business through a composite scheme of arrangement ('Scheme') to be implemented under the provision of section 230 to 232 of the companies Act, 2013 and other applicable provisions of the Companies Act, 2013:

- Demerger of Pigment and Agrochemical undertakings of Meghmani Organics Limited ('MOL 1') into Meghmani Organochem Limited ('MOL 2') ('step 1'); and
- Merger of Remaining Business Undertakings of Meghmani Organics Limited ('MOL 1') into Meghmani Finechem Limited ('MFL') ('step 2').

Step 1 and step 2 are together referred to as 'the Transaction'.

As a consideration for Step 1, equity shareholders of Meghmani Organics Limited ('MOL 1') would be issued equity shares of Meghmani Organochem Limited ('MOL 2') and for step 2, equity shareholders of Meghmani Organics Limited ('MOL 1') would be issued equity shares of Meghmani Finechem Limited ('MFL').

Share Entitlement Ratio for this Report refers to number of equity shares of face value of INR 1/- each of Meghmani Organochem Limited, which would be issued to shareholders of Meghmani Organics Limited, as consideration for Step 1.

Share Exchange Ratio for this Report refers to number of equity shares of face value of INR 10/- each of Meghmani Finechem Limited, which would be issued to shareholders of Meghmani Organics Limited of face value of INR 1/- each, as consideration for Step 2.

For the aforesaid purpose, Meghmani Organics Limited have appointed Jigar Shah to submit a report

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- Recommendation of Share Entitlement Ratio for Demerger of Pigment and Agrochemical Undertakings of Meghmani Organic Limited into Meghmani Organochem Limited as proposed by the management to be placed before the Audit Committee's/Board of Directors of the Companies.; and
- Recommendation of Share Exchange Ratio on Merger of Remaining Business Undertakings of Meghmani Organics Limited into Meghmani Finechem Limited.

The Scope of our services is:

- To evaluate share entitlement ratio for the step 1; and
- To recommend Shares Exchange Ratio for issue of MFL's equity shares to the equity shareholders of the MOL 1 (after Step 1) in accordance with generally accepted professional standards for the step 2.

The valuer appointed has worked independently in their analysis. The Valuer has received information and clarification from the companies. For recommending share Exchange Ratio, the valuer has independently arrived at different values per share of the companies. However, to arrive at the consensus on the share exchange Ratio, appropriate averaging rounding off in the values arrived at by the valuer has been done.

We have been provided with historical financial information for the companies up to 31st March 2019 and upto 28th January 2020 for any material events after 31st march 2019. We have considered the same in our Report. Our analysis does not factor impact of any event which is unusual or not in normal course of business. We have relied on the above while arriving at the share Exchange Ratio for the Step 2.

This Report is our delivered for the above engagement.

This Report is subject to the scope, assumption, exclusions, Limitations and disclaimers detailed hereinafter. As such, the Report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein.

SOURCES OF INFORMATION

In connection with exercise, we have used the following information received from the management and/or gathered from public domain:

- Audited financial statements of the companies for the 3 years ended 31st March 2017, 31st March 2018 and 31st March 2019;
- Information on key events between 31st March 2019 and 28th January 2020, as made known to us and their financial impact;
- Proposed share Entitlement Ratio for Demerger of Pigment and Agrochemical Undertakings of MOL 1 into MOL 2;
- Proposed Draft scheme of arrangement;
- Number of equity shares/ shareholding pattern of the companies as at 31st December 2019;
- Interviews and correspondence with the Management;
- Secondary research and market data on comparable companies and information on recent transactions, to the extent readily available; and
- Such other analysis, reviews and enquiries, as we considered relevant.

It may be noted that no future business plans for the companies and their subsidiaries/underlying investee companies were provided to us.

The companies have been provided with the opportunity to review the draft report (excluding the recommended share exchange ratio) as part of our standard practice to make sure that factual inaccuracies/omissions are avoided in our final report.

**SCOPE LIMITATIONS, ASSUMPTIONS, QUALIFICATION, EXCLUSIONS AND
DISCLAIMERS**

Provisions of valuations opinions and considerations of issues described herein are areas of our regular practice. The services do not represent accounting, assurance, accounting/tax due diligence, consulting or tax related services that may otherwise be provided by us or our affiliates.

This Report, its contents and the results herein are specific to (i) the purpose of valuation agreed as per the terms of our engagement; (ii) the date of this Report and (iii) the financial statements of the companies as at 31st March 2019 and other information provided by the management on key events after 31st March 2019 till the date of the Report.

Other than as stated above, the management has represented that the business activities of the companies, including their subsidiaries and associates, as applicable, have been carried out in the normal and ordinary course between 31st March 2019 and the Report date and that no material adverse change has occurred in their respective operations and financial positions between 31st March 2019 and the Report date.

An analysis of this nature is necessarily based on the prevailing stock market, financial, economic and other conditions in general and industry trends in particular as in effect on, and the information made available to us as of, the date hereof. Events and transactions occurring after the date hereof may affect this Report and the assumptions used in preparing it, and we do not assume any obligation to update, revise or reaffirm this report.

The ultimate analysis will have to be tempered by the exercise of judicious discretion by the valuer and judgment taking into accounts all the relevant factors. There will always be several factors, e.g. management capability, present and prospective competition, yield on comparable securities, market sentiment, etc. which are not evident from the face of the balance sheets but which will strongly influence the worth of a share. This concept is also recognized in judicial decisions.

The recommendations rendered in this Report only represent our recommendations based upon information furnished by the companies (or its executives/representative) and other sources and the said recommendations shall be considered to be in nature of non-binding advice, (our recommendations will however not be used for advising anybody to take buy or sell decision, for which specific opinion needs to be taken from expert advisors). We have no obligation to update this Report.

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The determination of this exchange ratio is not precise science and the conclusions arrived at in many cases will, of necessity, be subjective and dependent on the exercise of individual judgment. There is, therefore, no single share exchange ratio. While we have provided our opinion on the share entitlement ratio (for step 2) based on the share information available to us and our recommendations of the share Exchange ratio (for step 1) within the scope of our engagement, others may have a different opinion. The final responsibility for the determination of the share exchange/entitlement ratio at which the proposed transaction shall take place will be with the board of directors who should take into account other factors such as their own assessment of the proposed transaction and input of other advisors.

In the course of the valuation, we were provided with both written and verbal information, including market, Technical, Financial and operating data.

In accordance with the terms of our engagements, We have assumed and relied upon, without independent verification, (1) the accuracy of the information that was publicly available and formed a substantial basis for this report and (2) the accuracy of information made available to us by the companies, in accordance with our Engagement Letter and in accordance with the customary approach adopted in valuation exercises, we have not audited, reviewed or otherwise investigated the historical financial information provided to us. We have not independently investigated or otherwise verified the data provided by the companies. Accordingly, we do not express an opinion on offer any form of assurance regarding the truth and fairness of the financial position as indicated in the financial statements. Also, with respect to explanations and information sought from the companies, we have been given to understand by the management of the companies that they have not omitted any relevant and material factors about the companies. Our conclusions are based on the assumptions and information given by/on behalf of the companies and reliance on public information. The Management of the companies has indicated to us that they have understood that any omissions, inaccuracies or misstatements may materially affect our valuation analysis/results. Accordingly, we assume no responsibility for any errors in the information furnished by the companies and their impact on the report nothing has come to our attention to indicate that the information provided was materially mis-stated/incorrect or would afford reasonable grounds upon which to base the report.

The report assumes that the companies comply fully with relevant laws and regulation applicable in all its areas of operations unless otherwise stated, and that the companies will be managed in a competent and responsible manner. Further, except as specifically stated to the contrary, this valuation report has given no consideration to matters of a legal

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nature, including issues of legal title and compliance with local laws, and Litigation and other contingent liabilities that are not recorded in the audited/unaudited balance sheet of the companies. Our conclusion of value assumes that the assets and liabilities of the companies and their subsidiaries, reflected in their respective latest balance sheets remain intact as of the report date.

We are not advisors with respect to legal, tax and regulatory matters for the transaction. This report does not look into the business/ commercial reasons behind the transaction or the Likely benefits arising out of the same. Similarly, it does not address the relative merits of the transaction as compared with any other alternative business transaction, Or other alternatives, or whether or not such alternatives could be achieved or are available.

No investigation of the companies' claim to title of assets has been made for the purpose of this report and the companies' claim to such rights has been assumed to be valid. No consideration has been given to Liens or encumbrances against the assets, beyond the loans disclosed in the accounts. Therefore, no responsibility is assumed for matters of a legal nature.

The fee for the engagement is not contingent upon the results reported.

We owe responsibility to only the boards of directors of the companies that has appointed us under the terms of our engagement letters and nobody else. We will not be Liable for any losses, claims, damages or liabilities arising out of the actions taken, omissions of or advice given by any other advisor to the companies. In no event shall we be liable for any loss, damages, cost or expenses arising in any way from fraudulent acts, misrepresentations or willful default on part of the Companies, their Directors employees or agents. Unless specifically agreed, in no circumstances shall the liability of a Valuer, its partners, its directors or employees, relating to the services provided in connection with the engagement set out in this report shall exceed the amount paid to such Valuer in respect of the fees charged by it for these services.

We do not accept any Liability to any third party in relation to the issue of this report. It is understood that this analysis does not represent a fairness opinion on the share Exchange Ratio. This Report is not a substitute for the third party's own due diligence/ appraisal/ enquiries/ independent advice that the third party should undertake for his purpose.

This valuation report is subject to the laws of India.

Neither the valuation report nor its contents may be referred to or quoted in any registration statement, prospectus, offering memorandum, annual report, loan agreement or other agreement or document given to third parties, other than in connection with the proposed Scheme of amalgamation, without our prior written consent except for disclosures to be made to relevant regulatory authorities including stock exchanges and SEBI. In addition this report does not in any manner address the prices at which equity shares of the Companies will trade following announcement of either company should vote at any shareholders' meeting(S) to be held in connection with the transaction.

BRIEF BACKGROUND OF THE COMPANIES FORMING THE PART OF THE SCHEME OF ARRANGEMENT

Meghmani Organics Limited (hereinafter referred to as 'the Transferor Company' or 'MOL 1' or 'Demerged Company') is a flagship company of Meghmani Group based at Ahmedabad, Gujarat. Meghmani Organics Limited, CIN: L24110GJ1995PLC024052 was incorporated on 2nd January 1995 under the provisions of the Companies Act, 1956. MOL is having its registered office at Plot 184 Phase-II, GIDC, Vatva, Ahmedabad 382 445, Gujarat.

The Transferor Company is engaged in the business of manufacturing and selling of Pigment and Agrochemicals products. It is also engaged in the business of trading in chemical products.

Equity Shares of MOL 1 are listed on BSE Ltd. ('BSE') and National Stock Exchange Board of India Ltd. ('NSE') & its SDS's listed on the Singapore Exchange Securities Trading Limited ('SGX-ST').

Currently, business of Meghmani Organics Limited is divided into following two segments:

- Pigments & Agrochemicals Undertakings; and
- Trading & Investment Undertakings.

The issued and subscribed equity share capital of MOL 1 as at 31st December 2019 is INR 25,42,14,050 consisting of 25,42,14,050 equity shares of face value of INR 1 Each. The Shareholding Pattern is as follows:

Particulars	MOL 1	% of Holding
Individual Promoters	122,905,590	48.33 %
Public (Including QIBs)	118,516,431	46.60 %
Custodian Shares (SDRs)	12,892,190	5.07 %
Total Shares Issued	254,314,211	100.00 %

Source: BSE Filing

Face Value of INR 1 each

Meghmani Finechem Limited (hereinafter referred to as 'the Transferee Company' or 'MFL') is a Public incorporated on 11 September 2007. The Transferee Company is an unlisted Public Limited Company having its registered office at Plot CH1, CH2, GIDC Industrial Estate, Dahej, Tal: Vagra, Dist: Bharuch-392 130, Gujarat, and is engaged in manufacturing and selling of chlor-alkali and its derivatives chemical products namely caustic -Chlorine and caustic Potash.

The promoters of the Meghmani Organics Ltd (Transferor Company) holds 42.84% of the equity share capital of the Meghmani Finechem Limited (Transferee Company).

The issued and subscribed equity share capital of MFL as at 31st December 2019 is INR 41,19,31,140 consisting of 4,11,93,114 equity shares of face value of INR 10 each. The Shareholding pattern is as follows:

Particulars	MFL	% of Holding
MOL 1 - Promoter	2,35,45,985	57.16 %
Individual Promoter	1,76,47,129	42.84 %
Total Shares Issued	41,193,114	100.00 %

Source: Management

Face Value of INR 10 each

Meghmani Organochem Limited (hereinafter referred to as 'the Resulting Company' or 'MOL 2') was incorporated under the provisions of the Companies Act, 2013 on 15th October 2019 and is a wholly owned subsidiary of Meghmani Organics Ltd. The Resulting Company is an unlisted Public company having its registered office at 1st, 2nd, 3rd Floor, Nr. Raj Bungalow, Nr. Safal Profitaire, Prahlad Nagar, Ahmedabad 380015, Gujarat. The Resulting Company has main object of manufacturing and selling of Pigment and Agro Chemicals.

The issued and subscribed equity share capital of MOL 2 as at 31st December 2019 is INR 5,00,000 consisting of 5,00,000 equity shares of face value of INR 1 each. The Shareholding pattern is as follows:

Particulars	MOL 2	% of Holding
MOL 1 – Promoter	5,00,000	100.00 %
Total Shares Issued	5,00,000	100.00 %

Source: Management
Face Value of INR 1 each

Meghmani Finechem Limited, Meghmani Organics Limited and Meghmani Organochem Limited are company's part of Meghmani Group.

APPROACH & METHODOLOGY

Step 1 – Share entitlement Ratio for Demerger of Pigment and Agrochemical Undertakings of MOL 1 into MOL 2

As per the proposed scheme of arrangement, in consideration of the transfer and vesting of Pigment and Agrochemical Business Undertakings of MOL 1 into MOL 2, the MOL 2 shall issue and allot equity shares to the equity shareholders of MOL 1 based on the ratio of allotment of shares.

As per the Scheme of Arrangement ('Scheme'), the Pigment and Agrochemical Undertaking of MOL 1 is proposed to demerge into MOL 2. Once the scheme is implemented, all the shareholders of MOL 1 as on the record date as defined in the draft scheme would also become shareholders of MOL 2 and the shareholding in the MOL 2 would mirror their shareholding in MOL 1.

We further understand that as an effect of demerger, each shareholder of MOL 1 would become owner of shares in two companies instead of one. Post Demerger, the percentage holding of a shareholder in MOL 1 would remain unchanged from the proportion of capital held by such shareholder in MOL 1.

The Management of MOL 1 has further indicated that the shareholding of MOL 2 pursuant to the proposed Demerger of Pigment and Agrochemical Undertakings into MOL 2 would be, effectively, same as the shareholding of MOL 1 (pre-demerger) as the new shares of MOL 2 would be issued to the shareholder of MOL 1 in proportion to their shareholding in

MOL 1 (Pre-demerger). Thus, we understand that the interest of the shareholders of MOL 1 will effectively remain unchanged and therefore from that perspective shareholders interest would not be prejudicially affected. The Scheme does not envisage dilution of the holding of any one or more of shareholders as a result of operation of the scheme.

Recommendation of Ratio of Entitlement of Equity Shares for the Proposed Demerger

On the basis of the foregoing, any share entitlement ratio can be considered for the above demerger as the proportionate shareholding of any shareholder would not vary. Considering the desired capital structure of MOL 2, the Management has proposed a share entitlement ratio of 1 (One) fully paid equity share of MOL 2 of face value of INR 1 each, in exchange of every 1 (One) fully paid equity share of MOL 1 of face value of INR 1 each in the event of Demerger of Pigment and Agrochemical Business Undertakings of MOL 1 into MOL 2 is proposed as follows:

1 (One) fully paid equity share of face value of INR 1 (Rupee One) each of MOL 2 for every 1 (One) fully paid equity share of face value of INR 1 (Rupee One) each held in MOL 1.

Step 2 Share Exchange Ratios for Merger of Remaining Business Undertaking of MOL into MFL as on Record Date

The following are commonly used and accepted methods for determining the value of the equity shares of a company/business:

1. Market Price Method
2. Comparable Companies Quoted Multiples method or Comparable Companies Transaction Multiples
3. Discounted Cash Flows method
4. Net Asset Value method

It should be understood that the valuation of any company or its assets is inherently imprecise and is subject to certain uncertainties and contingencies, all of which are difficult to predict and are beyond our control. In performing our analysis, we made numerous assumptions with respect to industry performance and General business and economic conditions, many of which are beyond the control of the companies. Further, this valuation

will fluctuate with lapse of time, changes in prevailing market conditions, the conditions and prospects financial and otherwise, of the Companies, and other factors which generally influence the valuation of companies and their assets.

The Application of any particular method of valuation depends on the purpose for which the valuation is done. Although different values may exist for different purpose, it cannot be too strongly emphasized that a Valuer can only arrive at one value for one purpose. Our choice of methodology of valuation has been arrived at using usual and conventional methodologies adopted for transactions of a similar nature and our reasonable judgment, in an independent and bona fide manner based on our previous experience of assignments of a similar nature.

MFL is an Operating company and has significant businesses while MOL 1 after Step 1 holds significant investment in MFL and having trading activities in it. In view of holding-cum Operating nature of both Companies, the following approach was considered relevant for valuing MFL and MOL 1.

- Market Approach
- Sum of parts Approach - Value arrived for Investments of MOL 1 into MFL under market approach using CCM/ CTM Method and Value arrived for Remaining Business Undertakings of MOL 1 using Discounted Cash Flow Method were aggregated. Further, adjustments were made for debt, cash and cash equivalents, surplus assets, if any, Key events and costs/ proceeds relating thereto, etc as deemed appropriate. The Equity value of the respective businesses/ Investments so arrived was then divided by the diluted number of equity shares of the Companies to compute its value per share.

The following paragraphs discuss different valuation methods and their application for valuing the companies, their businesses/ investments.

Market Price (MP) Method

The Market price of an equity share as quoted on a stock exchange is normally considered as the value of the equity shares of that company where such quotations are arising from the shares being regularly and freely traded in, subject to the element of speculative support that may be inbuilt in the value of the shares. But there could be situations where the value of the share as quoted on the stock market would not be regarded as a proper index of the fair value of the share especially where the market values are fluctuating in a volatile capital market. Further, in the case of a merger, where there is a question of

evaluating the shares of one company against those of another, the volume of transactions and the number of shares available for trading on the stock exchange over a reasonable period would have to be of comparable standard.

In the present case, equity shares of MOL 1 are listed on BSE and NSE. We have segregated market price of MOL 1 between its two undertakings considering fair value of investment in MFL post demerger as per Step 1 and value of Remaining Business Undertaking. However, other company i.e. MFL is not listed on any exchanges. Hence, we have not considered this method into consideration.

Comparable Companies' Quoted Multiple (CCM) Method

Under this method, Value of the equity shares of a company is arrived at by using multiples derived from valuations of comparable companies, as manifest through stock market valuation of listed companies. This valuation is based on the principle that market valuations, taking place between informed buyers and informed sellers, incorporate all factors relevant to valuation. Relevant multiples need to be chosen carefully and adjusted for differences between the circumstances.

For valuing various businesses/investment of these companies, we have considered the earnings and asset multiples of comparable listed companies, with subject company / business specific adjustment, for the purpose of our valuation analysis.

Comparable Companies' Transaction Multiple (CTM) Method

Under this method, value of the equity shares of a company / business is arrived at by using multiple derived from valuation in comparable companies, as manifest through transaction Valuations. Relevant multiples need to be chosen carefully and adjusted differences between the circumstances.

Comparable company analysis (also called "trading multiples" or "peer group analysis" or "equity comps" or "public market multiples") is a relative valuation method in which you compare the current value of a business to other similar businesses by looking at trading multiples like P/E, EV/EBITDA, or other ratios. Multiples of EBITDA are the most common valuation method.

The "comps" valuation method provides an observable value for the business, based on what companies are currently worth. Comps are the most widely used approach, as they are easy to calculate and always current.

For valuing various business/investments of these companies, we have considered the comparable transactions, with subject company/business specific adjustment, for the purpose of our valuation analysis. Wherever and if deemed appropriate, industry specific benchmark have been in the analysis.

In the present case, MFL is operating company in case of merger between MFL and Remaining Business Undertaking of MOL 1. Hence, we have valued MFL using this method. We have considered PE Multiples and EV/EBIDTA Multiples and assigned 50% weightage to each method to arrive weighted average value of MFL using this method.

Discounted Cash Flows (DCF) Method

Under the DCF method the project free cash flows to the equity shareholders are discounted at the cost of equity. The sum of the discounted value of such free cash flow is the value of the firm.

Using the DCF analysis involves determining the following:

Estimating future free cash flows:

Free cash flows are the cash flows expected to be generated by the company that are available to the providers of the company's equity capital.

Appropriate discount rate to be applied to cash flows i.e. the cost of equity:

This discount rate, which is applied to the free cash flows, should reflect the opportunity cost to the equity capital providers (namely shareholders). The opportunity cost to the equity capital provider equals the rate of return the equity capital provider expects to earn on other investments of equivalent risk.

We have used DCF Method of valuation for valuing Remaining Business Undertaking of MOL 1.

Net Asset Value (NAV) Methodology

The asset based valuation technique is based on the value of the underlying net assets of the business, either on a book value basis or realizable value basis or replacement cost basis. This valuation approach is mainly used in case where the firm is to be liquidated i.e. it does not meet the "going concern" criteria or in case where the assets base dominate earnings capability. Hence, we have not used this method of valuation for valuing companies.

Share Exchange Ratio

The share exchange ratio has been arrived at on the basis of an equity valuation of the companies. The share exchange ratio is based on the various methodology explained herein earlier and various qualitative factors relevant to each company and the business dynamics and growth potentials of the businesses of the companies, having regard to information base, key underlying assumptions and limitations.

Valuer, as considered appropriate, have independently applied methodologies discussed above and arrived at their assessment of value per share of the companies. To arrive at the consensus on the share exchange ratio for the step 2, suitable averaging and rounding off in the values arrived at by the valuer have been done.

Conclusion

In light of the above, and on a consideration of all the relevant factors and circumstances as discussed and outlined hereinabove:

Step 1 Share Entitlement Ratio for Demerger of Pigment and Agrochemical Undertakings of MOL 1 into MOL 2.

Further, based on the aforementioned, and considering that all the shareholders of MOL 1 are and shall, upon demerger, be the ultimate beneficial economic owners of MOL 2 in the proposed share Entitlement Ratio. The proposed share Entitlement Ratio of 1 (One) equity shares of MOL 2 (of INR 1/- each fully paid up) for every 1 (One) equity shares of the MOL 1 (of INR 1/- each fully paid up) for the Demerger of Pigment and Agrochemical Undertakings of MOL 1 is fair.

The Computation of fair Exchange Ratio is attached as per **Annexure I**

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Step 2 Share Entitlement Ratio for Merger of Remaining Business Undertaking of MOL 1 into MFL.

In view of application of relevant approach and methodology and arriving fair value of both Companies viz. MOL 1 and MFL, we recommend the stock exchange ratio of 94 (Ninety Four) equity shares of INR 10/- each fully paid up in the share capital of MFL to issue for every 1,000 (One Thousand) equity shares of INR 1/- each held in the shareholder of MOL 1.

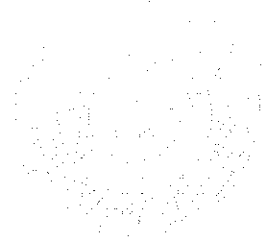
The Computation of fair Exchange Ratio is attached as per Annexure II

For, Jigar P. Shah



Place: Ahmedabad
Date : 28th January 2020

Registered Valuer
Assets Class: Securities or Financial Assets
IBBI Regd. ID: IBBI/RV/06/2019/10657



ANNEXURE I

Computation of Fair Share Exchange Ratio De-merger of MOL 1 into MOL 2

As per the Scheme of Arrangement ('Scheme'), the Pigment and Agrochemical Undertaking of MOL 1 is proposed to demerge into MOL 2. Once the scheme is implemented, all the shareholders of MOL 1 would also become shareholders of MOL 2 and the shareholding in the MOL 2 would mirror their shareholding in MOL 1. Hence, no relative valuation of the two entities is required to be undertaken. Hence, we have not carried out valuation of these entities under generally accepted valuation approaches as below:

Valuation Approach	MOL 1		MOL 2	
	Value Per Share	Weight	Value Per Share	Weight
Assets Approach	NA	0%	NA	0%
Income Approach	NA	0%	NA	0%
Market Approach	NA	0%	NA	0%
Relative Value per Share	NA	0%	NA	0%
Exchange Ratio (rounded off)			1	

Note: Face Value INR 1 per share

All the shareholders of MOL1 would become the shareholders of MOL2 and the shareholding in MOL2 would only mirror their shareholding in MOL1. Hence, as there is no need to calculate a ratio, we have not used any of the above method of valuation.

RATIO:

1 (One) equity share of MOL 2 of face value of INR 1 each fully paid up for every 1 (One) equity share of MOL 1 of face value of INR 1 each fully paid up.

We understand that the interest of the shareholders in MOL 1 will effectively remain unchanged and therefore from that perspective shareholders interest would not prejudicially affected. The demerger under this scheme does not envisage dilution of the holding of any one or more of shareholders as a result of operation of the Scheme.

ANNEXURE II
Computation of Fair Share Exchange Ratio
Merger of MOL 1 into MFL

Valuation Approach	MOL 1 (Note 1)		MFL (Note 2)	
	Value Per Share	Weight	Value Per Share	Weight
Assets Approach	NA	0%	NA	0%
Income Approach	0.18	100%	NA	0%
Market Approach	13.24	100%	143.04	100%
Relative Value per Share	13.42		143.04	
Exchange Ratio (rounded off)			0.94	

Note: MOL1 - Face Value INR 1 per equity share
MFL - Face Value INR 10 per equity share

Note 1 - On demerger post Step 1, MOL 1 will have two business activities i.e. Trading Business and Investment in MFL. We have used Sum-Of-Parts valuation to value its Trading Business and Investments in MFL with suitable approaches. We have valued Comparable Companies Quoted Multiple ('CCM') Method using Market Approach for valuation of MOL1 investment into MFL and used Discounted Cash Flow Method ('DCF') under Income Approach to value its Trading Business.

The value of MOL1 is derived from the (i) Investment in MFL & (ii) Trading Business. For the investment in MFL, we have used the Market Approach and for the trading business, we have used the Income Approach. Hence, while we have used both the Market Approach as well as the Income Approach to arrive at the value, we have not considered the Asset Approach as it is only historic in nature and does not adequately represent the value.

Note 2 - We have used valued Comparable Companies Quoted Multiple ('CCM') Method using Market Approach for valuation of MFL.

We have used the Comparable Companies Method (Market Approach) to value MFL, as the business of MFL is of a nature wherein comparable companies value are truly representative of the fair value. We have not used the Income Approach as the details for the same were not possible to ascertain and we have not used the Asset Approach as it is only historic in nature and does not adequately represent the value.

RATIO:

94 (Ninety Four) equity share of MFL Ltd of INR 10 each fully paid up for every 1,000 (One Thousand) equity shares of MOL 1 of INR 1 each fully paid up.

Computation of Share Exchange Ratio

Shareholding As On December 31, 2019 (Latest Available Shareholding)

(Rs. In Lakhs)

Particulars	MOL	% Total	MFL	% Total
MOL (Promoter)	-	0.00%	23,545,985	57.16%
Individual Promoters	122,905,590	48.33%	17,647,129	42.84%
Public (Including QIBs)	118,516,431	46.60%	-	0.00%
Custodian Shares (ADRs)	12,892,190	5.07%	-	0.00%
Total Shares Issued	254,314,211	100.0%	41,193,114	100.0%

Book Value As On September 30, 2019 (Latest Available Financials)

Particulars	MOL	MFL
Audited Tangible Network	91,509.34	36,122.16
Add: Fair Value of MFL Investment	33,679.53	
Less: Book Value of MFL Investment	7,115.75	
Adjusted Tangible Network	118,073.12	36,122.16
Equity Shares	254,314,211	41,193,114
Book Value (Rs.)	46.43	87.69
Face Value (Rs.)	1.00	10.00

DEMERGER RATIO

Particulars	Ratio
% Shareholding Mirrored	100%
Number of Shares Per Share	1.00

CALCULATION OF FAIR VALUE OF MOL

Particulars	Amount
Valuation of MFL Investment	33,679.53
Valuation of Trading Division	457.22
Total Network	34,136.75
Equity Shares	254,314,211
Book Value (Rs.)	13.42

CALCULATION OF FAIR VALUE OF MFL

As per PE Multiple

Particulars	Market Cap	Net Profit	PE Multiple
Gujarat Alkalies & Chemicals Limited	333,403.65	59,304.00	5.62
TGV SRAAC Limited	22,905.71	8,766.00	2.61
DCM Shriram Industries Limited	27,289.45	7,065.00	3.86
Average	383,598.81	75,135.00	4.03

As per EV/EBIDTA Multiple

Particulars	Market Cap	Total Debt	Cash	Enterprise Value (EV)	EBIDTA	EV / EBIDTA
Gujarat Alkalies & Chemicals Limited	333,403.65	16,120.00	24,811.00	324,712.65	95,308.00	3.41
TGV SRAAC Limited	22,905.71	29,695.00	5,587.00	47,013.71	20,497.00	2.29
DCM Shriram Industries Limited	27,289.45	49,879.00	2,628.00	74,540.45	13,488.00	5.53
Average				446,266.81	129,293.00	3.74

Comparable Company Multiple

Particulars	MFL	Relevant Multiple	Enterprise Value	Equity Value	Equity Shares	Value Per Share (Rs.)
PAT	18,217.42	4.03		73,462.28	41,193,114	178.34
EBIDTA	30,743.76	3.74	115,054.39			
Total Debt			63,410.09			
Cash			5,830.08			
Equity Value				57,474.38	41,193,114	139.52

Comparable Value Per Share

Particulars	Value	Weightage	Total
PE Multiple Value (Rs.)	178.34	50%	89.17
EV/EBIDTA Value (Rs.)	139.52	50%	69.76
Total (Rs.)			158.93
Less: Liquidity Discount			10%
Adjusted Value (Rs.)			143.04
Equity Shares			41,193,114
Equity Value			58,921.50

MERGER RATIO

Particulars	MOL
MFL Shares to be issued to shareholders of MOL for every 1 share held of MOL (After adjusting for face value of Rs. 10 (MFL) and for face value of Re. 1 (MOL)): $\text{Rs. } 13.42 \text{ (MOL Value) / Rs. } 143.04 \text{ (MFL) } \times 10/1 = 0.94$	0.94