



**Sakariya And Associates**  
CHARTERED ACCOUNTANTS

2/15 Bhaktinagar Station Plot, Near Sakariya Bottling Co., Dr. Dayabhai Clinic Chowk, Rajkot - 360 002.  
Contact No.: 91-9638982500 Email: cavinaysakariya@gmail.com

24<sup>th</sup> September, 2018

To,  
The Board of Directors,  
Indo Amines Limited,  
Plot No-W-44, Phase-II,  
Dombivli (east)

To,  
The Board of Directors,  
Core Chemicals (Mumbai) Pvt Ltd  
304 Floor 3A, Shah & Nahar  
Industrial Estate Of f Dr. E.Moses  
Road, Worli

Dear Sirs,

**Sub: Recommendation of Share Exchange Ratio for the proposed Amalgamation of Core Chemicals (Mumbai) Private Limited and Key Organics Private Limited, with Indo Amines Limited.**

With reference to the above-mentioned engagement letters dated 24<sup>th</sup> August 2018 wherein Indo Amines Limited ("IAL") (CIN L99999MH1992PLC070022) and Core Chemicals (Mumbai) Private Limited ("CCMPL") (CIN U99999MH1969PTC014243) (collectively referred to as "Clients", "the Companies" or "you") have requested Sakariya And Associates Chartered Accountants (hereinafter referred to as 'SAA', "we" or "us") to recommend a share exchange ratio in connection with the proposed amalgamation CCMPL and Key Organics Private Limited ("KOPL"), wholly owned subsidiary of IAL with IAL. Further, KOPL, being a wholly owned subsidiary of IAL, would also be the beneficiary to this Valuation Report.

**1. SCOPE AND PURPOSE OF THE VALUATION REPORT:**

The purpose of this valuation / report is to provide the Board of Directors / Management of , IAL and CCMPL with the element / points / basis that will aid in determination of Share Exchange Ratio to be proposed for the amalgamation of IAL and CCMPL "the companies".

The valuation has been done taking into account the current and future prospects of the entities on an independent and standalone basis, without taking any potential synergies from the merger into account.

We understand that the respective Board of Directors of the Companies proposes to amalgamate CCMPL and KOPL with IAL with effect from the Appointed Date of 1<sup>st</sup> April, 2018. This is proposed to be achieved by way of a Scheme of Amalgamation under Section 230 to 232 of the Companies Act, 2013 and other applicable provisions of the Companies Act, 2013. Under Proposed Scheme of Amalgamation, the shareholders of CCMPL will be issued equity shares of IAL as consideration for their equity shares in CCMPL. Further, with reference to the information and explanation provided by the Management, we understand that KOPL is Wholly Owned Subsidiary of



Accordingly, all the equity Shares of KOPL held by IAL shall be cancelled and deemed to be cancelled without any further act or deed. Moreover, IAL shall not be required to issue or allot any new shares to the shareholders of KOPL. Hereafter, taking into consideration of above facts, we are of the view that there is no obligation to carry out valuation of KOPL as there is an amalgamation of wholly owned subsidiary with its parent Company i.e. IAL.

We have been requested by the respective Board of Directors of the Companies to Carry out the relative valuation of Equity Shares of IAL and CCMPL to recommend the Share Exchange Ratio, having regard to the Securities and Exchange Board of India ("SEBI") Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017 read with Circular No. CFD/DIL3/CIR/2017/26 dated March 23, 2017

We have carried out a relative valuation of the equity shares of IAL and CCMPL as of 31<sup>st</sup> March 2018 with a view to arrive at the Share Exchange Ratio of IAL and CCMPL for the proposed Amalgamation.

This Valuation Report is subject to the Scope, assumptions, exclusions, limitations and disclaimers detailed hereinafter. As such the Valuation Report is to read in totality, and not in parts, in conjunction with the relevant documents referred to therein.

## 2. SOURCES OF INFORMATION:

- a) Audited financial Statements of IAL and CCMPL for the years ended to 31<sup>st</sup> March, 15 to 31<sup>st</sup> March, 2018;
- b) Limited Reviewed financial statements of IAL for the period ended 30<sup>th</sup> June, 2018;
- c) Unaudited Financial Statements of CCMPL for the period ended 30<sup>th</sup> June, 2018;
- d) Draft Scheme of Amalgamation;
- e) Other information, explanations and representations that were required and provided by the management;
- f) For our analysis, we have relied on published and secondary sources of data, whether or not made available by the Clients. We have not independently verified the accuracy or timeliness of the same; and
- g) Such other analysis, review and enquiries, as we considered necessary.

We have also obtained explanations and information considered reasonably necessary for our exercise from the executives and representatives of the Companies. The Companies have been provided with the opportunity to review the draft Valuation Report (excluding the recommended Share Exchange Ratio) for this engagement to make sure that factual inaccuracies are avoided in our final Valuation Report.

## 3. SCOPE LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS AND DISCLAIMERS:

Provision of valuation opinions and consideration of the issues described herein are areas of our regular practice. The service does not represent accounting, assurance, accounting/ tax due diligence, consulting or tax related service that may otherwise be provided by us or our affiliates.



This Valuation Report, its contents and the results herein are specific to (i) the purpose of valuation agreed as per the terms of our engagement; and (ii) the date of this Valuation Report and (iii) are based on the balance sheet of the companies as at 31<sup>st</sup> March, 2018. The management has represented that IAL has acquired 100% stake in KOPL on 27<sup>th</sup> December, 2013 and the business activities of the Companies have been carried out in the normal and ordinary course between 31<sup>st</sup> March, 2018 and the Valuation Date. A valuation of this nature is necessarily based on 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 occurring after the date hereof may affect may this Valuation Report and the assumptions used in preparing it, and we do not assume any obligation to update, revise or reaffirm this Valuation Report.

In the course of our valuation, we have relied on the financial data, projections and information made available to us by the Company both written and verbal. Our conclusions are dependent on such information being accurate and complete in all material respects. Although we have reviewed this information, the scope of our work will not enable us to accept responsibility for the accuracy and completeness of this information. We have not conducted an independent audit, due diligence review or validation of such information. Our report does not constitute a recommendation as to whether or not any party should carry out a transaction vis-a-vis the Companies.

Valuation analysis and result are specific to the purpose of valuation and are based on the projected financial data provided to us by the Companies/ Management of the Companies. It may not be valid for any other purpose or as at any other date. Also, it may not be valid if done on behalf of any other entity.

The valuation analysis and result are substantively based only on information contained in this report and are governed by the concept of materiality. Valuation analysis and result are specific to the valuation date as mentioned in this report. A valuation of this nature involves consideration of various factors including those impacted by prevailing economic trends in general and industry trends in particular.

Valuation results are, to a significant extent, subject to continuance of current trends beyond the date of the report. We, however, have no obligation to update this Report for events, trends or transactions relating to the Companies or the market/economy in general and occurring subsequent to the date of this Report.

We have neither checked nor are we responsible for arithmetical accuracy / logical consistency of any financial model or business plan provided by the Companies, and used in our valuation analysis. The terms of our engagement were such that we were entitled to rely upon the information provided by the Companies, without detailed inquiry. Also, we have been given to understand by the Companies that it has made sure that no relevant and material factors have been omitted or concealed or given inaccurately by people assigned to provide information and clarifications to us for this exercise and that it has checked out relevance or materiality of any specific information to the present exercise with us in case of any doubt. Accordingly, we do not express any opinion or offer any form of assurance regarding its accuracy and completeness.

The Companies has indicated to us that it has understood that any omissions inaccuracies or misstatements may materially affect our valuation analysis/results.



Accordingly, we assume no responsibility for any errors in the above information furnished by the Companies, and their impact on the present exercise. Also, we assume no responsibility for technical information furnished by the Companies, if any, and believed it to be reliable. We express no opinion on the achievability of the forecasts given to us.

The assumptions used in their preparation, as we have been explained, are based on the management's present expectation of both - the most likely set of future business/regulatory events and circumstances and the management's course of action related to them. It is usually the case that some events and circumstances do not occur as expected or are not anticipated. Therefore, actual results during the forecast period may differ from the forecast and such differences may be material.

We understand that this Report is required to be used exclusively by Indo Amines Limited for the purposes of the proposed allotment of share as mentioned in para above and hence neither this Valuation Report nor its contents may be disclosed to any third party or referred to/quoted in any statement except for the purpose mentioned herein or where specifically required under any Law in force.

**4. BACKGROUND OF THE COMPANIES:**

**A. Indo Amines Limited**

Indo Amines Limited was incorporated on 17<sup>th</sup> December 1992 as a Public Limited Company, limited by shares under the provisions of The Companies Act, 1956 bearing Corporate Identity No. L99999MH1992PLC070022 and having its registered office at W-44, MIDC, Phase II, MIDC, Dombivli, East Thane - 421203. The Company is inter alias engaged in the business of manufacturing and marketing of organic chemicals, fine chemicals, specialty chemicals for polymers and inorganic chemicals, chemical intermediates for pharmaceuticals. The equity shares of IAL are listed on BSE Limited.

The shareholding pattern of IAL as at 31<sup>st</sup> March, 2018 is as follows:

Category	No. of Shares held	% shareholding
Promoters and Promoter Group	2,47,64,178	74.26
Public	85,84,602	25.74
<b>Total</b>	<b>3,33,48,780</b>	<b>100.00</b>

**B. Core Chemicals (Mumbai) Private Limited**

Core Chemicals (Mumbai) Private Limited was originally incorporated under the name "Nivatu Metals Private limited" on 31<sup>st</sup> March, 1969 as a Private Limited Company under the provision of the Companies Act, 1956 and the said name was changed to "Core Chemicals (Mumbai) Private Limited" vide certificate dated 19<sup>th</sup> September, 2002 as Private Company bearing Corporate Identity No. U99999MH1969PTC014243 and having its registered office at 304 Floor- 3A, Shah and Nahar Industrial Estate, off Dr B Moses Road Worli, Mumbai.



The shareholding pattern of CCMPL as at 31<sup>st</sup> March, 2018 is as follows:

Name of the Shareholders	No. of Shares held	% Shareholding
Mr. Nandu Gupta	15,500	38.75
Mrs. Pramila Gupta	15,500	38.75
Core Chemicals Private Limited	9000	22.50
<b>Total</b>	<b>40000</b>	<b>100</b>

**C. Key Organics Private Limited.**

Key Organics Private Limited was incorporated on 17<sup>th</sup> March 1989 as a Private Limited Company, limited by shares under the provisions of The Companies Act, 1956 bearing Corporate Identity No. U24200MH1989PTC051084 and having its registered office at Plot 73, Laxmi Terrace, Ranade Road, Shivaji Park, Dadar (west).

**5. APPROACH - BASIS OF AMALGAMATION**

**Methodologies for valuation**

**a) Assets Based Method/(Assets Backing Method):**

Since the valuation is made on the basis of the assets of the company, it is known as assets based approach. The shares are valued on the basis of real internal value of assets of the Company and that is why the method is also termed as Intrinsic Value Method or Real Value Method. Assets Backing Method is calculated by Net Assets Value.

The Net Assets Value, as at the latest audited Balance Sheet date, will be calculated starting from the total assets of the Company or of the branch and deducting therefrom all debts, dues, borrowings and liabilities, including current and likely contingent liabilities and preference capital, if any, in other words, it should represent the true net worth of the business after providing for all outside present as well as potential liabilities.

**b) Future Earnings Capitalization Method:**

The Future Earnings Capitalization Method involves determination of the maintainable earnings level of an entity from its normal operations. These earnings are then capitalized at a rate, which in the opinion of the valuer, combines an adequate expectation of reward from enterprise and risk to arrive at the business value. This method is based on the earnings capacity of the business and is consistent with the "Going Concern" basis applicable to continuing business entities.

**c) Market Price Method:**

The Market Price Method evaluates the value based on the prices quoted on the Stock exchange. An appropriate average of the quoted prices is considered as indicative of the value perceived by shareholders of a Company under free market conditions.

Such valuations rely on the past transactions in the equity of a Company as an indicator of the value of a Company. Such method is particularly used to value listed companies whose shares are substantially traded on a stock exchange.



d) Discounted Cash Flows:

The Discounted Cash Flow ("DCF") Method values the business of a company by discounting its free cash flows for the explicit forecast period and the perpetuity value thereafter. The free cash flows represent the cash available for distribution to both the owners and the creditors of the business. The free cash flows are discounted by expected return on capital. The present value of the free cash flow during the explicit period and the perpetuity value indicate the value of the business.

Recommendation for Valuation of Equity shares of IAL:

Since IAL is a listed on Bombay Stock Exchange ("BSE") Company, in our opinion the market price at which transactions take place between informed buyers and informed sellers at arm's length, is true indicator of the value of shares and therefore we have adopted MP method for determining the value of equity shares of IAL and as per the SEBI (issue of Capital and Disclosure Requirements)(Amendment) Regulations, 2017 dated 15<sup>th</sup> February, 2017 read with Circular No. CFD/DIL3/CIR/2017/26 dated March 23, 2017 when shares are allotted to a select group of shareholders or shareholders of unlisted companies pursuant to such Scheme; the "relevant date" for the purpose of computing pricing shall be the date of Board meeting in which the draft Scheme is approved, i.e. 25<sup>th</sup> September, 2018 but since IAL have made an announcement in public domain on 10<sup>th</sup> August, 2018 about a possible Amalgamation, we have considered the market price till 08<sup>th</sup> August, 2018 (i.e. last trading day prior to announcement date)

The pricing of equity shares as on 08<sup>th</sup> August, 2018 should be done on the following basis -

Not less than higher of the following:

- (a) The average of the weekly high and low of the volume weighted average price of the related equity shares quoted on the recognized stock exchange during the twenty six weeks preceding the relevant date; or
- (b) The average of the weekly high and low of the volume weighted average price of the related equity shares quoted on a recognized stock exchange during the two weeks preceding the relevant date.

The resultant value per share works out to Rs. 129.16/- (Rupees One hundred Twenty Nine and Sixteen Paise Only) per share. (Refer Annexure A)

Ordinarily, we would use an amalgamation of two or more of the methods of valuation stated above.

However, for the purposes of the Valuation we are unable to use:

- Earnings Capitalization Method: In the past the CCMPPL has not operated at its full capacity and not earned the profit as per industry norms and therefore this method would not accurately represent the fair value of the Company;



- Asset Based Method: In the past the CCMPPL has not operated at its full capacity and not earned the profit as per industry norms and therefore this method would not accurately represent the fair value of the Company; and
- Market Based Valuation Method: since the equity shares of CCMPPL are not listed on a stock exchange.

**Recommendation for Valuation of Shares of CCMPPL:**

Accordingly, for the purpose of valuation of shares of CCMPPL as on 31<sup>st</sup> March, 2018, we have used the Discounted Cash Flow Method, being the most appropriate methodology applicable.

The summary of Discounted Cash Flow has been attached in Annexure "B" to this valuation report.

The resultant value per share works out to Rs. 6452.10/- (Rupees Six Thousand Four Hundred Fifty Two and Ten paise only) per share. (Refer Annexure B)

**6. BASIS OF AMALGAMATION:**

The basis of amalgamation of CCMPPL with IAL would have to be determined after taking into consideration all the factors and methodologies mentioned hereinabove. We have arrived to the value per equity share of, CCMPPL and IAL by using the Discounted Cash Flow Method and Market Price Method respectively.

In view of the above, and on consideration of the relevant factors and circumstances as discussed and outlined hereinabove, we recommend the Share Exchange Ratio of the Equity Shares for the Amalgamation of

1. CCMPPL into IAL at 50 (Fifty) equity shares of IAL of Rs. 10/- (Rupees Ten Only) each fully paid up for every 01 (One) equity shares of CCMPPL of Rs. 100/- (Rupees Hundred Only) each fully paid-up.

Thanking You  
Yours truly,

For Sakariya And Associates  
Chartered Accountants  
Firm Reg. No.135889W

*J D Sakariya*

Proprietor  
CA Vinay Sakariya.  
Mem. No.153979  
Rajkot, 24<sup>th</sup> September 2018





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### Computation of Fair share Exchange Ratio

As per BSE Circular No. LIST/COMP/02/2017-18 dated 29<sup>th</sup> May, 2017 with reference to draft scheme of arrangement filed with stock exchange in terms of SEBI circulars dated march 10, 2017 or November 30, 2015, as applicable, the computation of Share exchange Ratio for the proposed draft scheme is as follows :

Valuation Approach	Indo Amines Limited		Core Chemicals Mumbai Private Limited	
	Value Per Share (In Rs.)	Weight	Value Per Share (In Rs.)	Weight
Asset Approach	-	-	-	-
Income Approach	-	-	-	-
Market Approach	129.16	100%	6452.10	100%
Relative Value per Share	129.16	-	-	-
Exchange Ratio (Rounded off)	50	-	6452.10	-
			01	

Ratio:

Core Chemicals Mumbai Private Limited:

50 (Fifty) Equity Share of Indo Amines Limited of Rs.10/-each fully paid up for every 01 (One) Equity Shares of Core Chemicals Mumbai Private Limited of Rs.100/- each fully paid up.

For Sakariya And Associates  
Chartered Accountants  
Firm Reg. No.135889W

*JA Sakariya*

Proprietor  
CA Vinay Sakariya.  
Mem. No.153979  
Rajkot, 24<sup>th</sup> September 2018







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Contact No.: 91-9638982500 Email: cavinaysakariya@gmail.com

## Annexure - A

Company Name	: INDO AMINES LTD
SCRIP CODE	: 524648
Average Price of (2 Weeks)	: 129.16
Average Price of (26 Weeks)	: 90.35
Whichever is higher	: <u>129.16</u>


Average price of weekly High and Low of the weeks of weighted average Prices quoted on the BSE  
2 weeks average price : 129.16

Weeks	From	To	High Price	Low Price	Average	Trading BSE
25	26-Jul-18	01-Aug-18	120.71	123.78	122.24	5
26	02-Aug-18	08-Aug-18	133.27	138.88	136.07	5
Average Price of 2 Weeks					129.16	10

26 Weeks Average Price : 90.35

Weeks	From	To	High Price	Low Price	Average	Trading BSE
1	08-Feb-18	14-Feb-18	102.36	114.63	108.50	4
2	15-Feb-18	21-Feb-18	96.83	99.80	98.31	5
3	22-Feb-18	27-Feb-18	98.35	99.96	99.16	4
4	28-Feb-18	07-Mar-18	96.00	98.20	97.10	5
5	08-Mar-18	14-Mar-18	90.24	95.25	92.74	5
6	15-Mar-18	21-Mar-18	89.11	95.01	92.06	5
7	22-Mar-18	28-Mar-18	86.30	90.82	88.56	5
8	02-Apr-18	04-Apr-18	86.32	88.15	87.23	3
9	05-Apr-18	11-Apr-18	87.00	88.59	87.79	5
10	12-Apr-18	18-Apr-18	88.24	89.93	89.09	5
11	19-Apr-18	25-Apr-18	92.61	96.04	94.33	5
12	26-Apr-18	02-May-18	87.25	93.10	90.17	4
13	03-May-18	09-May-18	84.58	87.58	86.08	5
14	10-May-18	16-May-18	84.18	86.61	85.39	5
15	17-May-18	23-May-18	81.76	83.36	82.56	5
16	24-May-18	30-May-18	77.91	81.74	79.82	5
17	31-May-18	06-Jun-18	68.83	77.10	72.96	5
18	07-Jun-18	13-Jun-18	71.70	75.42	73.56	5
19	14-Jun-18	20-Jun-18	76.84	81.27	79.05	5
20	21-Jun-18	27-Jun-18	68.78	79.10	73.94	5
21	28-Jun-18	04-Jul-18	67.34	71.07	69.21	5
22	05-Jul-18	11-Jul-18	73.39	76.02	74.70	5
23	12-Jul-18	18-Jul-18	73.06	86.48	79.77	5
24	19-Jul-18	25-Jul-18	92.48	124.79	108.63	5
25	26-Jul-18	01-Aug-18	120.71	123.78	122.24	5
26	02-Aug-18	08-Aug-18	133.27	138.88	136.07	5
Average Price of 26 Weeks					90.35	125

For Sakariya And Associates  
Chartered Accountants  
Firm Reg. No.135889W

  
Proprietor  
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Mem. No.153979



Rajkot, 24<sup>th</sup> September 2018

**CORE CHEMICAL MUMBAI PVT.LTD**

**DCF Approach**

Discount Rate - WACC  
 Long Term Growth Rate  
 Hypothetical tax

14.11%
4.00%
27.82%

**Valuation as per Free Cash Flows to the Firm (FCFF)**

Figures in INR/Lacs

Financial Year Ending March	31.03.2018	31.03.2019	31.03.2020	31.03.2021	31.03.2022	31.03.2023
Description	0	1	2	3	4	5
FCFF method						
PAT						
Add: Depreciation		127.12	174.70	261.95	374.88	548.08
Add: Interest (1 - tax rate)		29.30	31.97	34.88	38.38	40.50
less: CAPEX		59.17	60.63	60.63	60.63	60.63
less: change in working capital		-	-59.32	-64.66	-77.81	-47.10
FCFF		-168.94	-62.91	-115.92	-131.32	-116.60
Discount Rate		46.66	145.06	176.88	264.77	485.52
PV of cash flow for the projected period		0.88	0.77	0.67	0.59	0.52
Terminal Value	678.53	40.89	111.41	119.05	156.18	250.99
PV of Terminal Value	2,582.96					4,996.43
Enterprise Value	3,261.50					
Add: cash	55.24					
less: Debt	-712.90					
Less: Contingent Liabilities	-23.00					
Equity Value	2,580.84					
No. of shares	40,000					
Value per share	<u>6,452.10</u>					
IndoAmines share value	129.16					
swap ratio	<u>49.95</u>					

For Sakariya And Associates  
 Chartered Accountants  
 Firm Reg. No.135889W

*Vinay Sakariya*

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