



**ARIHANT capital markets Ltd.**

**Revised Fairness Opinion**

**Scheme of**

**Amalgamation**

**Of**

**Classic Oil Limited  
(Transferor Company no.1)**

**AND**

**Sigma Solvents Private Limited  
(The Transferor Company no. 2)**

**WITH**

**Indo Amines Limited  
(The Transferee Company)**

**Prepared by:**

**ARIHANT Capital Markets Limited  
Merchant Banking Division  
Mumbai**

**May 27, 2017**

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



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## 1. Background

We had issued a Fairness Opinion dated February 13, 2017 in relation to the proposed draft Scheme of Amalgamation. We are informed by the Company that the valuation is required to be in compliance with the SEBI Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017 and SEBI Circular No. CFD/DIL3/CIR/2017/26 dated March 23, 2017 as per regulatory communication received by it. Accordingly, this revised Fairness opinion is required to be issued on the revised valuation report issued by the Valuer to comply with the requirements of above referred circular.

Classic Oil Limited ("Transferor Company No.1" or "COL") was originally incorporated under the name "Classic Oil Private Limited" on 14th January, 1987 as a Private Limited Company under the provision of the Companies Act, 1956 and the said name was changed to "Classic Oil Limited" vide certificate dated 17th July, 1992 as a Public Company, Limited by shares, incorporated under Corporate Identity No: U99999MH1987PLC042225 and having its registered office at A7 Kasturi Vihar, Near Venkatesh Petrol Pump, Kalyan Thane - 421 304 and Transferee company acquired 100% shares of Transferor Company No. 1 from its erstwhile promoter to revive its operations and is in process of erecting new plant for manufacturing chemicals. The Transferor Company No.1 is a wholly owned subsidiary of the Transferee Company.

Sigma Solvents Private Limited ("Transferor Company No. 2" or "SSPL") was incorporated on 26th April, 1988 as a Private Limited Company, limited by shares under the provision of Companies Act, 1956 bearing Corporate Identity No: U24100MH1988PTC047155 and having its registered office at 1502, Adonis, Raheja Acropolis II Behind Telecom Factory, Deonar Mumbai - 400 088 and is inter alia engaged in the business of manufacturers of and dealers in chemical products of and as wholesale and retail chemists and druggist, analytical chemists, dry-salters, importers, exporters and manufacturers of and dealers in heavy chemicals, acids, drugs, etc.

Indo Amines Limited ("Transferee Company" or "IAL") was incorporated on December 17, 1992 under the Companies Act, 1956 as a Public Limited Company, limited by shares incorporated under Corporate Identity No: L99999MH1992PLC070022 and having its registered office at W-44, MIDC Phase II, MIDC, Dombivali East, Thane - 421 203 and is inter alia engaged into carry on 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 the Transferee Company are listed on BSE Limited.





Management of COL, SSPL and IAL have decided to enter into a scheme of amalgamation which provides for

- a) Amalgamation of Transferor Company No. 1 and Transferor Company No. 2 with Transferee Company under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 and/ or Companies Act, 1956 (if applicable) & the Rules framed thereunder including any statutory modifications or re-enactments thereof, if any.
- b) Cancellation of investments held by the Transferee Company in form of equity shares in Transferor Company No. 1
- c) Issue of new equity shares of Transferee Company to the shareholders of Transferor Company No. 2 whose names are registered in the register of members on the record date as fixed by the Board of Transferee Company.
- d) The dissolution of Transferor Company No. 1 and Transferor Company No. 2 without winding up.

The Board of directors of the Transferor Companies and the Transferee Company anticipate the following benefits pursuant to the amalgamation of the Transferor Companies into the Transferee Company:

- The Transferor Companies and the Transferee Company are engaged in the business of manufacturing, buying, selling and dealing in all types of chemicals. Thus business can be carried out more efficiently under single entity. With a view to rationalize and consolidate the business activities, the Board of Directors of the Transferor Companies and the Transferee Company have decided to amalgamate to ensure better management of the Company's as a single entity.
- Amalgamation of the Transferor Companies with the Transferee Company will provide an opportunity to leverage combined assets and build a stronger sustainable business. Specifically, the merger will enable optimal utilization of existing resources and provide an opportunity to fully leverage strong assets, capabilities, experience, expertise and infrastructure of both the companies. The merged entity will also have sufficient funds required for meeting its long term capital needs as provided for in the scheme.
- Strengthened position in the industry, in terms of the assets base, revenues, product range, production volumes, integrated supply chain and market share of the combined entity.





- Greater efficiency in cash management by cost saving for all the companies as they are capitalizing on each other's core competency and resources which is expected to result in stability of operations, cost savings and higher profitability levels for the Amalgamated Company.
- Greater integration, financial strength and flexibility for the amalgamated company, which would result in improved overall shareholder value.
- Benefit of operational synergies to the combined entity in areas such as raw material sourcing, product placement, marketing and the sales promotion initiatives, which can be put to the best advantage of the stakeholders.

Towards this purpose, the Board of Directors of IAL have provided us with a draft copy of the proposed scheme of Amalgamation COL and SSPL with IAL, which is scheduled to be considered and approved at IAL's forthcoming Board meeting ("Scheme"). The proposed Scheme will also be placed at the meeting of the Board of Directors of the Transferor Companies for its approval.

## 2. Reference & Context

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

We, Arihant Capital Markets Ltd., have been appointed to issue a fairness opinion in terms of sub Para 8(b) of Para 1(A) of Annexure I of the SEBI Circular No. CIR/CFD/CMD/16/2015 dated November 30, 2015, SEBI Circular no. CFD/DIL3/CIR/2017/21 dated March 10, 2017 and SEBI Circular no. CFD/DIL3/CIR/2017/26 dated March 23, 2017 read with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 on valuation of assets done by independent Valuers for the Transferor Companies and Transferee Company pursuant to the proposed draft Scheme of Amalgamation.

SEBI Circular no. CFD/DIL3/CIR/2017/21 dated March 10, 2017 provides that provisions of chapter VII of SEBI (ICDR) Regulations 2009 shall be followed in case of issuance of shares to a select group of shareholders or shareholders of unlisted companies pursuant to such schemes. SEBI Circular no. CFD/DIL3/CIR/2017/26 dated March 23, 2017 specifies the "relevant date" for the purpose of computing pricing shall be the date of Board meeting in which the draft Scheme is approved.





We are a SEBI registered merchant banker and are not associated with COL, SSPL and IAL as merchant banker / consultant save for this Revised fairness opinion and are not their associate.

We have applied ourselves towards formation and expression of the opinion on the revised valuation of equity shares done by the valuers M/s. P M Dalvi & Co., Chartered Accountants, having office at 10, Anand Bhuvan, D. V. Deshpande Marg, Shivaji Park, Dadar (W), Mumbai – 400 028 ("Valuers") in relation to this proposed draft Scheme of Amalgamation .

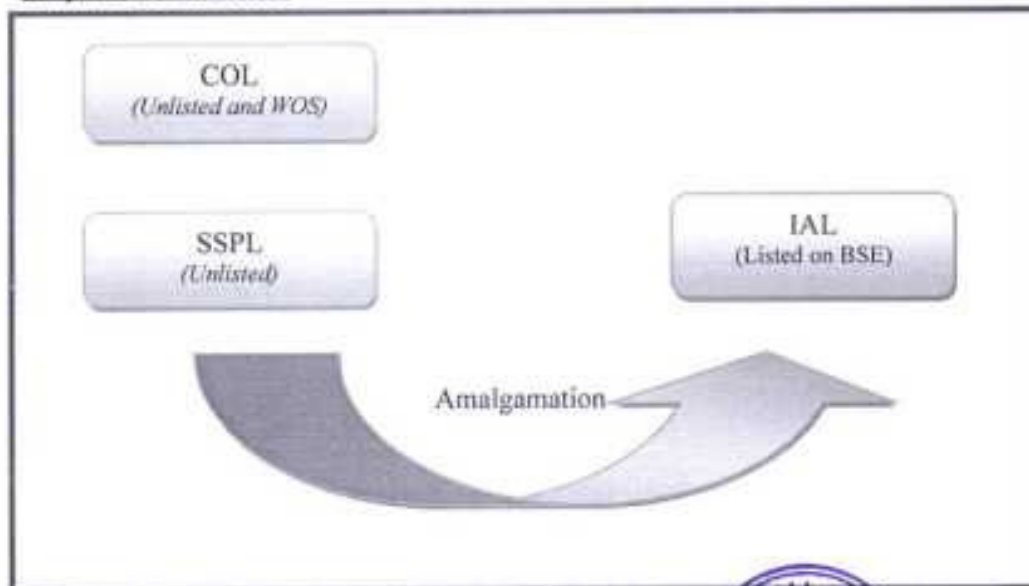
This Fairness Opinion is issued pursuant to our appointment as Merchant Bankers by IAL for issuing the Fairness Opinion.

### 3. Proposed Transaction

COL and SSPL will amalgamate with IAL through the proposed Scheme of Amalgamation. Below mentioned structure is as per the proposed Scheme provided to us by IAL.

As per the scheme, equity shares are proposed to be issued by IAL to the shareholders of SSPL. No shares are proposed to be issued to shareholders of COL as it is Wholly Owned Subsidiary (WOS) of IAL. Pursuant to the allotment of equity shares under the scheme, promoter group shareholding in IAL will not go beyond 75%.

#### Proposed Transaction





#### 4. Engagement Context

The management of IAL has requested ARIHANT Capital Markets Limited ("ARIHANT" or "We / Us / Our") to express an opinion about fairness of the valuation done by the Valuers from a financial point of view in accordance with sub Para 8(b) of Para I(A) of Annexure I of the SEBI Circular No. CIR/CFD/CMD/16/2015 dated November 30, 2015 read with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 to the Shareholders of IAL (the "Fairness Opinion").

This Fairness Opinion is expressed solely with reference to requirements under aforementioned purpose; and scope of this assignment is restricted to opine about fairness of valuation already done by the Valuers in relation to the proposed Scheme.

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

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

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

#### 5. Basis of forming Opinion

##### 5.1 Documents and Information Considered

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

1. Certain publicly available business and financial information relating to IAL, including the Annual Report for the financial year ending March 31, 2016 and limited reviewed financial results as on 31<sup>st</sup> December, 2016.





2. Certified draft of the proposed Scheme of Amalgamation to be approved by the Boards of Directors of the respective companies.
3. Undertakings / Management Representations issued by IAL and SSPL in relation to valuation of respective companies.
4. Pre Scheme and Post Scheme Shareholding pattern of IAL.
5. Copy of the revised valuation report of the Valuers M/s. P M Dalvi & Co., Chartered Accountants, dated May 26, 2017 recommending Fair Share Exchange ratio for the proposed scheme.
6. Performed such other reviews and analyses as ARIHANT, in its absolute discretion, deemed appropriate.

### **5.2 Assumptions and Limiting Conditions**

ARIHANT has been engaged to provide standard services for the issuance of the Fairness Opinion and therefore have not performed any due diligence or audit of the information provided to us, nor have we made any independent valuation or appraisal of the assets or liabilities. IAL has provided us with the copy of revised valuation report done by the Valuers and have asked us to peruse and opine on the said report. IAL has confirmed that as the issuance of Revised Fairness Opinion is in relation to proposed demerger, the report may also be reproduced / quoted by us.

ARIHANT has assumed and relied upon the truth, accuracy and completeness of the information, data and financial terms provided to us by IAL, SSPL or their authorized representatives or used by us, and has assumed that the same are factually correct and does not assume or accept any liability or responsibility for any independent verification or checking of such information or any independent valuation or appraisal of any of the assets, operations or liabilities of Transferor Companies and Transferor Company.

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

This opinion exclusively focuses on the fairness, from a valuation point of view, of the shares / assets done by the Valuers and does not address any other issues such as the underlying business decision to recommend the transaction or its







commercial merits, which are matters solely for the Boards of Directors of COL, SSPL and IAL to address and further to be confirmed by the shareholders of both the companies, as may be required.

ARIHANT's formation of Revised fairness opinion is based on information supplied by IAL and SSPL, representations and confirmations of its management on various issues and we have relied upon them as such without any independent verification and as such we do not hold ourselves liable if our opinion becomes flawed as a result of any shortcomings in such information, representations and confirmations given by IAL and SSPL.

In rendering this opinion, ARIHANT has not provided legal, regulatory, tax, accounting or actuarial advice and accordingly ARIHANT does not assume any responsibility or liability in respect thereof. Furthermore ARIHANT has assumed that the proposed transaction will be consummated on the terms and conditions as set out in the proposed Scheme of Amalgamation, without any material changes to, or waiver of, its terms or conditions.

## **6. Valuation Approaches and their Review**

### **6.1. Overview**

The formation of a fairness opinion is generally a complex process involving careful consideration and review of valuation methods, associated financial and other analyses, performed by the Valuers. ARIHANT has made a qualitative assessment of the appropriateness of the method and subsequent application.

### **6.2 Valuation**

ARIHANT has reviewed the method of valuation adopted by the Valuers. Their report states that shares are proposed to be issued by the Transferee Company to the shareholders of Transferor Company no. 2 i.e. SSPL as consideration for the proposed transfer of undertaking through merger. The report states that existing shareholding of Transferee Company in Transferor Company no. 1 i.e. COL shall be cancelled and no shares will be issued by IAL as COL is wholly owned subsidiary. Hence, the valuation analysis is focused on valuation of IAL and SSPL.

The Valuers have valued the Transferee Company's shares on Market Price Method based on the average of weekly high and low of the volume weighted average price of IAL for the period of 26 weeks and 2 weeks preceding 26<sup>th</sup> May,





2017 (being the Relevant Date reckoned in terms of SEBI (ICDR) Regulations) as per the data available on BSE Limited.

The shares of Transferor Company no.2 are valued on Capitalization of earnings method.

### **6.3 Analysis of the Valuation**

While forming our opinion, we performed certain procedures and made certain enquiries with IAL / SSPL. Some of the procedures / activities performed and the findings are mentioned below:

- Noted that the scheme involves merger of SSPL and COL with IAL wherein shares are proposed to be issued by IAL to the shareholders of SSPL and no shares are issued to the shareholders of COL.
- The equity shares of the company are frequently traded on BSE limited for the calendar year 2016 and hence taking the market price of equity shares on BSE Limited as representative value of shares for the purpose of merger and arriving at swap ratio seems reasonable
- The average of weekly high and low of volume weighted average price for 26 weeks and 2 weeks preceding 26<sup>th</sup> May, 2017 (Relevant Date) is considered by Valuer and the higher of the two is taken as value of the equity shares of IAL for the purpose of arriving at swap ratio.
- The valuation methodology adopted for valuing SSPL based on capitalization of expected future earnings seems fair. It is further noted that Management of SSPL has confirmed the reasonableness of projections and the management of IAL has also confirmed the veracity of the projections as they are in same line of business and are aware of the earning potential of SSPL.
- Noted that the appointed date for the proposed scheme of Amalgamation is January 01, 2017 and the valuation of SSPL is carried out based on projected financials of SSPL from FY 2017-18 to FY 2020-21 and the provisional financials of SSPL for FY 2016-17.
- Management of IAL and SSPL have confirmed to us that the values of assets and liabilities appearing in the limited reviewed financial results as at 31.12.2016 and audited financial statement as at 31.12.2016 respectively reflect their fair value as on that date and the same shall not deviate materially from the audited figures.






## 7. Opinion

Based upon and subject to the foregoing, we are of the opinion on the date hereof, that the valuation including the Share Exchange ratio 9 (Nine) equity shares of IAL of Rs. 10/- each fully paid up for every 25 (Twenty Five) equity shares of SSPL of Rs. 10/- each fully paid up as recommended by the Valuers for the proposed draft Scheme of Amalgamation is fair and reasonable.

For Arihant Capital Markets Limited  
(Merchant Banking Division)

  
Authorized Signatory.  
(SEBI REGN. No. INM 000011070)

