
RAJENDRA P. BHENDE
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CHARTERED ACCOUNTANT

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The Board of Directors
Vipul Organics Ltd.
102,Andheri Industrial Estate,
Off Veera Desai Road,
Andheri(West),Mumbai.

The Board of Directors
Efferchem Private Limited
Plot No. A/14,M.I.D.C.,
A.M.P.Road,Ambarnath(W),
Thane -421501.

Re: Recommendation of share exchange Ratio

Dear Sirs,

I, R.P.Bhende ("RPB"), have been appointed vide letter dated 25th April,2017 to determine the share exchange ratio for the purpose mentioned in Para 1 below .I am pleased to present herewith my report on the same.

1. Purpose of valuation

- 1.1 Vipul Organics Limited ("VOL") is engaged in business of manufacture of Synthetic Organic Dyes, Synthetic Organic Pigments and intermediates for synthetic dyes and pigments.
- 1.2 Efferchem Private Limited ("EPL") is engaged in the business of manufacture, process, purchase, resale, export, import and commission agency of all types of Laboratory fine and heavy chemicals whether organic or inorganic and including dyes acid and intermediates and minerals and to refine, purify derivate, crystallize, process, dry and to carry out such other process or processes, activity or activities to carry out this objects.
- 1.3 The management of VOL and EPL proposes to merge Efferchem Private Limited into Vipul Organics Limited (together referred to as "the Companies") under a scheme of amalgamation between VOL and EPL and their respective shareholders and creditors under section 230 to 232 of the Companies Act,2013 and other relevant provisions of the Companies Act ,2013("the Scheme")
- 1.4 In this regard, I, R.P.Bhende ("RPB") have been appointed to undertake the valuation of VOL and EPL to determine the share exchange ratio for the proposed merger of EPL into VOL.

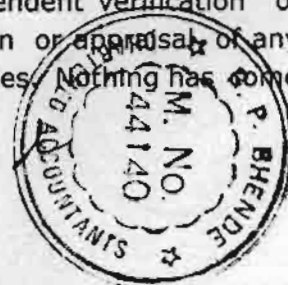


2. Sources of information

- 2.1 For the purpose of undertaking this valuation exercise, I have relied on the following sources of information:
- (a) Audited financial statement of VOL for the financial years ended 31st March, 2014, 31st March, 2015 and 31st March, 2016;
 - (b) Audited financial statement of EPL for the period ended 31st March, 2017.
 - (c) Relevant data and information provided to me by the representatives of VOL and EPL either in written or oral form or in the form of soft copy.
 - (d) Discussions with the representatives of VOL and EPL regarding past and current performance of their Companies respectively.
 - (e) Information provided by leading database sources, market research reports and other published data.
 - (f) Valuation Report for Tangible and Intangible assets of EPL at Ambernath(W) dated 20th March, 2017 by Anmol Sekhari Consultants Pvt. Ltd. Mumbai.
 - (g) Management representation letters from VOL and EPL dated 21/04/2017.

3. Exclusions and limitations

- 3.1 My report is subject to limitations detailed hereinafter. This report is to be read in totality, not in parts, in conjunction with relevant documents referred to therein.
- 3.2 This report and the information contained herein are absolutely confidential and are intended for the use of management and representatives of the Companies for providing select information and only in connection with purpose mentioned above or for sharing with statutory or regulatory authorities. It should not be copied, disclosed, circulated, quoted or referred to, either in whole or in part, in correspondence or in discussion with any other.
- 3.3 The scope of my assignment did not involve me performing audit tests for the purpose of expressing an opinion on the fairness or accuracy of any financial or analytical information that was provided and used by me during the course of my work. The assignment did not involve me to conduct the financial or technical feasibility study. I have not done any independent technical valuation or appraisal or due diligence of the assets or liabilities of the Companies or any of its subsidiaries or associated companies and have considered them at the value as disclosed by the Companies in their regulatory filings or in submissions, oral or written, made to us.
- 3.4 In rendering this report, I have not provided legal, regulatory, tax accounting or actuarial advice and accordingly I do not assume any responsibility or liability in respect thereof.
- 3.5 This report is based on the information received from the sources mentioned herein and discussions with the representatives of the Companies. I have assumed that no information has been withheld that could have influenced the purpose of my report.
- 3.6. I have assumed and relied upon the truth, accuracy and completeness of the information, data and financial terms provided to us or used by us, I have assumed that the same are not misleading and do not assume or accept any liability or responsibility for any independent verification of such information or any independent technical valuation or appraisal of any of the assets, operations or liabilities of the Companies. Nothing has come



to my knowledge to indicate that the material provided to me was mis-stated or incorrect or would not afford reasonable grounds upon which to base my report

- 3.7. During the course of my work, I have relied upon the valuation reports by other independent valuer and based on the assumptions made by the management and representatives of the Company.. Though I have reviewed it, I have not independently verified the same. As these assumptions require the exercise of judgment and are subject to uncertainties, there can be no assurance that these assumptions are accurate.
- 3.8. For the present valuation exercise, I have also relied upon information available in the public domain; however, the accuracy and timeliness of the same has not been independently verified by me.
- 3.9. In addition, I do not take any responsibility for any changes in the information used by me to arrive at my conclusion as set out here in which may occur subsequent to the date of my report or by virtue of fact that the details provided to us are incorrect or inaccurate.
- 3.10. Further, this *report* is necessarily based on financial, economic, monetary, market and other conditions as in effect on, and the information made available to me or used by me up to, the date hereof. Subsequent developments in the aforementioned conditions may affect this report and the assumptions made in preparing this report and I shall not be obliged to update, revise or reaffirm this report if the information provided to us changes.
- 3.11. I have arrived at a relative value based on my analysis. Any transaction price may however be significantly different and would depend on the negotiating ability and motivations of the respective buyers and sellers in the transaction.
- 3.12. Valuation is not a precise science and the conclusions arrived at in many cases will be subjective and dependent on the exercise of individual judgment. There is therefore no indisputable single value. While I have provided an assessment of the value based on an analysis of information available to me and within the scope of my engagement, others may place a different value on this business.
- 3.13. Valuation is based on estimates of future financial performance or opinions, which represent reasonable expectations taking into consideration the economic, social and market patterns existing at that point in time but such information, estimates or opinions are not offered as predictions or as assurances that a particular level of income or profit will be achieved, a particular event will occur or that a particular price will be offered or accepted, Actual results achieved during the period covered by the prospective financial analysis will vary from these estimates and the variations may be material.



- 3.14. Whilst all reasonable care has been taken to ensure that the factual statements in the report are accurate, neither myself nor employees shall, in any way be liable or responsible either directly or indirectly for the contents stated herein. Accordingly, I make no representation or warranty, express or implied, in respect of the completeness, authenticity or accuracy of such factual statements. I expressly disclaim any and all liabilities, which may arise based upon the information used in this report. I am not liable to any party in relation to the issue of this report.
- 3.15. In the particular circumstances of this case, my liability, if any (in contract or under statute or otherwise) for any economic loss or damage arising out of or in connection with this engagement, howsoever the loss or damage caused, shall be limited to the amount of fees actually received by us from the Companies as laid out in the engagement letter, for such valuation work.

4. **Brief Background of the Companies:**

Vipul Organics Limited

- 4.1 Vipul Organics Limited ("VOL") is engaged in the manufacture of Synthetic Organic Dyes, Synthetic Organic Pigments and intermediates for synthetic dyes and pigments.
- 4.2 The subscribed and paid up equity share capital of VOL as on 31-03-2017 stood at Rs.6,26,45,000 divided into 62,64,500 shares of Rs.10 each as follows :

Category	No. of Shares	% Holding
Promoters'	36,10,100	57.63
Public	26,54,400	42.37
Total	62,64,500	100.00

There are 14,60,000 convertible warrants pending as on 31st March, 2017. Out of which 6,00,000 warrants are with respect to promoters and rest with the public.

Efferchem Private Limited

- 4.3 Efferchem Private Limited ("EPL") is incorporated with the object to manufacture, process, purchase, resale, export, import and commission agency of all types of Laboratory fine and heavy chemicals whether organic or inorganic and including dyes acid and intermediates and minerals and to refine, purify derivate, crystallize, process, dry and to carry out such other process or processes, activity or activities to carry out this objects.
- 4.4 The subscribed and paid up equity share capital of EPL as on 31-03-2017 stood at Rs.5,00,000 divided into 50,000 shares of Rs.10 each entirely held by promoters.



5. VALUATION APPROACH

- 5.1. The Proposed Merger scheme contemplates the merger of the Companies pursuant to the Scheme of Amalgamation under sections 230 to 232 of the Companies Act, 2013. Arriving at the share exchange ratio for the Proposed Merger would require determining the relative values of each company. These values are to be determined independently but on a relative basis, and without considering the effect of the Proposed Merger.
- 5.2. It is pertinent to note 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 my control. In performing my analysis, I made numerous assumptions with respect to industry performance and general business and economic conditions, many of which are beyond the control of the Companies. In addition, this valuation will fluctuate with changes in prevailing market conditions, and prospects, financial and otherwise, of the Companies, and other factors which generally influence the valuation of companies and their assets.
- 5.3. 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 purposes, it cannot be too strongly emphasized that a valuer can only arrive at one value for one purpose. My choice of methodology of valuation has been arrived at using usual and conventional methodologies adopted for transactions of a similar nature and my reasonable judgment, in an independent and bona fide manner based on my previous experience of assignments of a similar nature.
- 5.4. The cut-off date for the valuation exercise has been considered as 31st March, 2017.
- 5.5. There are three generally accepted approaches of valuation :
- (a) "Assets" approach
 - (b) "Income" approach
 - (c) "Market" approach

Assets Approach

- 5.6. The assets approach focuses on the net worth or net assets of a company. This valuation approach is mainly used in case where the firm is to be liquidated i.e. it does not meet the "going concern" or where the assets base dominates earnings capability or if it is investment holding company and significant value is derived from its investment holdings.



5.7. The Net Asset Value ("NAV") Method under the Assets Approach considers the Assets and Liabilities, including Intangible Assets and Contingent Liabilities. The Net Assets, after reducing the dues to the Preference Shareholders, if any, represent the equity value of a company.

Income Approach

5.8. The income approach is widely used for valuation under "Going Concern" basis. It focuses on the income generated by the company in the past as well as its future earning capability. The Discounted Cash Flow (DCF) Method under the income approach seeks to arrive at a valuation based on the strength of future cash flows.

Discounted Cash Flow (DCF) Method

- 5.9. Under the DCF Method, the business is valued 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 creditors of the business. The free cash flows in the explicit period and those in perpetuity are discounted by the Weighted Average Cost of Capital (WACC). The WACC based on an optimal vis-a-vis actual capital structure, is an appropriate rate of discount to calculate the present value of the future cash flows as it considers equity-debt risk by incorporating debt-equity ratio of the firm.
- 5.10. The perpetuity (terminal) value is calculated based on the business' potential for further growth beyond the explicit forecast period. The "constant growth model" is applied, which implies an expected constant level of growth for perpetuity in the cash flows over the last year of the forecast period.
- 5.11. The discounting factor (rate of discounting the future cash flows) reflects not only the time value of money, but also the risk associated with the business' future operations.
- 5.12. The Enterprise Value (aggregate of the present value of explicit period and terminal period cash flows) so derived, is further adjusted for the borrowings, cash, non-operating assets/liabilities (e.g. fair value of investments in subsidiaries/associates/mutual funds, value of surplus assets, any contingent liability, etc.) and preference shareholders liability, if any, to arrive at value to the owners of the business.



Market Approach

5.13. Under the Market approach, the valuation is based on the market value of the company in case of listed companies and 'comparable companies trading or transaction multiples for unlisted companies. The Market approach generally reflects the investors' perception about the true worth of the company.

Market Price. ("MP") Method

5.14. Under the "Market" Approach, the market price of an equity share as quoted on a recognized stock exchange is normally considered as the fair value of the equity shares of that company where such quotations are arising from the shares being regularly and freely traded.

Conclusion on Valuation Approach of VOL & EPL

6.1. Based on the information and explanations available and considering the Industry I considered Net Asset Value Approach under Asset Method for EPL valuation (Annexure 1) and Regulation 76(1) of Securities & Exchange Board of India(Issue of Capital & Disclosure Requirements)Regulations ,2009,I have considered the Market Price Approach exclusively for valuation of VOL (Annexure 2) as Shares of VOL are traded on BSE (as per SEBI circular CFD/DI L3/CIR/2017/21 dated March 10, 2017 (Annexure 2).

7. Conclusion

7.1. My exercise is to work out the relative value of shares of the Companies to facilitate the determination of share exchange ratio.

7.2. In the light of the above, and on consideration of all the relevant factors and circumstances as discussed and outlined hereinabove, in my opinion a share exchange ratio in the event of merger of VOL with EPL would be:

*2(two) equity shares of INR 10/- each fully paid up of EPL will get
73 (Seventy Three) equity shares of INR 10/- each fully paid up of VOL.*

Yours faithfully,

R.P. Bhende
For **R.P. Bhende**
Chartered Accountant



R.P. Bhende
Proprietor
M.No.44140
02/05/2017