VALUATION REPORT

Valuation report for determining the fair equity share exchange ratio in relation to the Scheme of Amalgamation

Abstract

The purpose of this Valuation Report is to render valuation to determine the fair equity share exchange ratio pursuant to Scheme of Amalgamation

i) Veeral Additives Private Limited
ii) Vinati Organics Limited

CA Hitendra Ranka [FCA, RV (IBBI) - S&FA, DISA (ICAI), B.Com]

CA Hitendra Ranka

IBBI Registered Valuer
Asset Class: Securities or Financial Assets
Reg. No.: IBBI/RV/06/2019/11695

Strictly private and confidential **Dated: 8 September 2021**

To,

The Board of Directors **Vinati Organics Limited,** B-12 & B-13 MIDC Industrial Area, Mahad District Raigad, Maharashtra 402 309.	The Board of Directors **Veeral Additives Private Limited,** Parinee Crescenzo, 11th Floor, 1102, "G" Block, Plot No.C-38 & C-39, Bandra Kurla Complex, Bandra (E), Mumbai, Maharashtra 400051.

Dear Sir(s) / Madam(s),

<u>Sub: Fair Equity Share Exchange Ratio Report pursuant to Scheme of Amalgamation</u>

I, Hitendra Ranka **("Valuer" or "I" or "me")**, had been appointed by the Board of Directors of Vinati Organics Limited vide an engagement letter dated January 5, 2021 to recommend a fair share exchange ratio for the proposed amalgamation of Veeral Additives Private Limited **("VAPL" or "Transferor Company")** with and into Vinati Organics Limited **("VOL" or "Transferee Company")** pursuant to a scheme of amalgamation between VAPL and VOL and their respective shareholders **("the Scheme").** VAPL and VOL shall collectively be referred as **"the Companies".**

I had submitted my report dated February 02, 2021 having a cut-off date for all the financial information used in the valuation exercise as December 31, 2020 and the market parameters have been considered up to February 1, 2021 to the Board of Directors of the Companies on February 02, 2021. The same was uploaded by VOL on the portal of the NSE Limited and BSE Limited ('Stock Exchanges') for further processing.

Through an email dated August 03, 2021 NSE Limited has advised the Company that the valuation report is dated February 02, 2021, being older than 6 months before receipt of the Observation Letter from SEBI. Hence, the Exchange is required to advice the company to obtain fresh Valuation Report along with Audit Committee recommendation. Consequently, the Companies have been advised to submit a Valuation Report along with Audit Committee recommendation where the financials of the Companies used for the valuation should not be older than 3 months while filing the same with the Exchange.

Pursuant to the above, I have been re-appointed by the Company vide an engagement letter dated September 2, 2021 to recommend the fair equity share exchange ratio for the proposed Scheme. The threshold date for all the financial information used in the present valuation exercise has been considered as June 30, 2021 and the market parameters have been considered up to September 7, 2021. Shareholders, Creditors, Stock Exchanges, SEBI and market participants are advised that this report supersedes my report dated February 02, 2021.

For the purpose of arriving at the valuation of the Companies, I have considered the valuation base as 'Fair Value' and the premise of value is 'Going Concern Value'. Any change in the valuation base, or the premise could have significant impact on my valuation exercise, and therefore, this report.

I believe that my analysis must be considered as a whole. Selecting portions of my analysis or the factors I considered, without considering all factors and analysis together could create a misleading view of the process underlying the valuation conclusions. The preparation of a valuation is a complex process and is not necessarily susceptible to partial analysis or summary description. Any attempt to do so could lead to undue emphasis on any particular factor or analysis.

This letter should be read in conjunction with the attached report.

Thanking you,

Yours Faithfully,

Hitendra Ranka

Registered Valuer

Asset Class: Securities or Financial Assets

Registration No. IBBI/RV/06/2019/11695

Place: Ahmedabad

Date: 8 September 2021

UDIN: 21157129AAAAAN6859

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1. BACKGROUND & RATIONALE OF THE SCHEME OF AMALGAMATION

BACKGROUND

1.1 The Scheme of Amalgamation **("the Scheme")** as more particularly defined hereinafter is under the provisions of Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 read with the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016.

1.2 The Scheme provides for amalgamation of Veeral Additives Private Limited **("VAPL" or "Transferor Company")** with and into Vinati Organics Limited **("VOL" or "Transferee Company")** pursuant to a scheme of amalgamation between VAPL and VOL and their respective shareholders **("the Scheme").** VAPL and VOL shall collectively be referred as **"the Companies" or "the Clients".**

1.3 Appointed date shall mean the opening hours of April 1, 2021 or such other date as may be agreed by the Board of directors of Companies and approved by the National Company Law Tribunal **("NCLT")** or as directed or imposed by the NCLT.

RATIONALE

1.4 Companies are engaged in the similar line of business. The amalgamation will ensure creation of a combined entity, hosting all products under the Transferee Company thereby resulting in on-time supplies, efficiency of management and maximizing value for the shareholders.

1.5 The Companies believe that the financial, managerial and technical resources, personnel, capabilities, skills, expertise and technologies of each of the VAPL and VOL pooled in the merged entity, will lead to optimum use of infrastructure, cost reduction and efficiencies, productivity gains and logistic advantages and reduction of administrative and operational costs, thereby significantly contributing to the future growth and maximising shareholder value.

1.6 The proposed amalgamation would be in the best interest of the Companies and their respective shareholders, employees, creditors, customers and other stakeholders as the proposed amalgamation will yield advantages as set out, *inter alia*, below:

- realising benefits of greater synergies between their businesses, yield beneficial results and pool financial resources as well as managerial, technical;
- distribution and marketing resources of each other in the interest of maximizing value to their shareholders and the other stakeholders;

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- integrated value chain to enhance degree of vertical integration in the long products segment;

- greater efficiency in cash and debt management and unfettered access to cash flow generated by the combined business, which can be deployed more efficiently, to maximize shareholders value and better debt management;

- pooling of resources, creating better synergies, optimal utilisation of resources, centralization of inventory and greater economies of scale.

1.7 Simplification of management structure, elimination of duplication and multiplicity of compliance requirements, rationalization of administrative expenses, better administration and cost reduction (including reduction in administrative and other common costs).

1.8 Efficient tax planning at the combined entity level.

1.9 Adoption of improved safety, environment and sustainability practices owing to a centralized committee at combined level to provide focused approach towards safety, environment and sustainability practices resulting in overall improvement.

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2. BACKGROUND OF THE COMPANIES

2.1 VAPL

VAPL (formerly known as Alpha Kooltherm Private Limited) is a private limited company incorporated on September 20, 2007 under the Companies Act, 1956 with CIN U24100MH2007PTC174331 and having its registered office at Parinee Crescenzo, 11th Floor, 1102, "G" Block, Plot No.C-38 & C-39, Bandra Kurla Complex, Bandra (E), Mumbai, Maharashtra 400 051. Transferor Company is proposing to start manufacturing of specialty chemicals which are used as stabilizer in the plastic component and increases its wear and tear capacity. VAPL's main objective as provided in its memorandum of association is "to carry on in India or abroad the business of export, import, manufacture, deal, trade and to act as wholesalers, retailers, stockiest, distributors and dealers in all kinds of speciality chemicals required for Polymers, Rubber, Textile and allied chemical industry including organics and inorganic chemical, chemical compounds, products, heavy chemicals, fine chemicals, acids, alkalis, petrochemicals, antioxidant, chemicals compound and also to invest in manufacturing plants producing speciality chemicals".

2.2 VOL

VOL is a public limited company incorporated on June 15, 1989 under the Companies Act, 1956 with CIN L24116MH1989PLC052224 and having its registered office at B-12 & B-13 MIDC Industrial Area, Mahad Dist. Raigad, Maharashtra 402 309. The equity shares of Transferee Company are listed on the both the Stock Exchanges i.e., BSE Limited **("BSE")** and National Stock Exchange of India Limited **("NSE")**. Transferee Company is engaged in the business of manufacturing and marketing of specialty chemicals. The manufacturing facilities of Transferee Company are located at Mahad and Lote in the State of Maharashtra.

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3. CAPITAL STRUCTURE & SHAREHOLDING PATTERN

3.1 VAPL

The issued and subsribed equity share capital of VAPL as at June 30, 2021 is as under under:

Share capital	Amount (In INR)
Authorized	
- 45,000,000 Equity Shares of Rs. 10/- each	450,000,000
Total	**450,000,000**
Issued, Subcribed and Paid-up Capital	
- 45,000,000 Equity Shares of Rs. 10/- each fully paid up	450,000,000
Total	**450,000,000**

The aforesaid equity share capital is held as follows:

Sr. No.	Shareholder	Percentage
1	Promoter and Promoter group	100.00%
2	Public	0.00%
	Total	**100.00%**

3.2 VOL

The issued and subsribed equity share capital of VOL as at June 30, 2021 is as under under:

Share capital	Amount (In INR)
Authorized	
- 150,000,000 Equity Shares of Rs. 1/- each	150,000,000
Total	**150,000,000**
Issued, Subcribed and Paid-up Capital	
- 102,782,050 Equity Shares of Rs. 1/- each fully paid up	102,782,050
Total	**102,782,050**

The aforesaid equity share capital is held as follows:

Sr. No.	Shareholder	Percentage
1	Promoter and Promoter group	74.06%
2	Public	25.94%
	Total	**100.00%**

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4. CONTEXT AND PURPOSE

4.1 As informed to me by management of the companies and based on my perusal of the Scheme, I understand that pursuant to the Scheme and all the necessary approvals and fulfillment of conditions as specified in the Scheme, VOL, the Transferee Company shall be required to issue new Equity shares to the shareholders of VAPL and shall require to comply with the provisions of section 230 to 232 and other relevant provisions of the Companies Act, 2013, read with the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016, along with the applicable provisions of Securities and Exchange Board of India ('SEBI').

4.2 I have been appointed in this regard to determine and recommend the fair equity share exchange ratio for the amalgamation of VAPL into VOL.

5. REGISTERED VALUER

I am a fellow member of The Institute of Chartered Accountants of India **('ICAI')** practicing as a partner with Ranka & Associates, Chartered Accountants. I am also registered with the Insolvency and Bankruptcy Board of India **('IBBI')**, as a Registered Valuer for asset class – 'Securities or Financial Assets' with registration no. IBBI/RV/06/2019/11695. I have been hereinafter referred to as 'Valuer' or 'I' or 'me' in this Report ('Valuation Report' or 'Report').

6. CONDITIONS, MAJOR ASSUMPTIONS, EXCLUSIONS AND LIMITATIONS

6.1 My report dated February 02, 2021, issued for this Scheme was for the same purpose and contained a valuation of the Companies and consequent share exchange ratio for the proposed scheme based on management certified financial statements for the period starting from April 1, 2020 to December 31, 2020 provided to me for the purpose of the valuation and to arrive at the fair share exchange ratio, other facts, circumstances, assumptions and limitations articulated in the said report. The fair share exchange ratio arrived at for the proposed Scheme was as on the date of the said report and should not be relied on or referred to going forward by anyone whatsoever. As stated above, this report shall supersede my report dated February 02, 2021.

6.2 I have not audited, reviewed, or compiled the financial statements of the Companies and express no assurance on them. I acknowledge that I have no present or contemplated financial interest in the Companies. My fee for this valuation is based upon normal billing rates, and not contingent upon the results or the value of the business or in any other manner. I have no responsibility to modify this report for events and circumstances occurring subsequent to the date of this report.

6.3 I have, however, used conceptually sound and generally accepted methods, principles and procedures of valuation in determining the value estimate included in this report. The valuation

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analyst, by reason of performing this valuation and preparing this report, is not to be required to give expert testimony nor to be in attendance in court or at any government hearing with reference to the matters contained herein, unless prior arrangements have been made with the valuation professional regarding such additional engagement.

6.4 This report, its contents, and analysis herein are specific to i) the purpose of valuation agreed as per the terms of my engagement, ii) the report date and iii) are based on the provisional financial statements as on June 30, 2021 as well as Financial Projections for the period starting from July 1, 2021 to March 31, 2022 and for FY 2022-23 to FY 2025-26 of the VAPL.

6.5 The management of the Companies have represented that the business activities of the Companies have been carried out in the normal course between June 30, 2021 and the Report date and that no material changes have occurred in their respective operations and financial position between June 30, 2021 and the Report date.

6.6 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 selected information and only in connection with purpose mentioned above or for sharing with shareholders, creditors, Regional Directors, Registrar of Companies, NCLT and office of other regulatory or statutory 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 person except to whom it is issued without my written consent. In the event, the Companies or their management or their representatives intend to extend the use of this report beyond the purpose mentioned earlier in this report, with or without my consent, I will not accept any responsibility to any other party to whom this report may be shown or who may acquire a copy of the report.

6.7 I have not attempted to confirm whether all assets of the business of the companies are free and clear of liens and encumbrances, or that the owner has good title to all the assets. I have also assumed that the business of the Companies will be operated prudently and that there are no unforeseen adverse changes in economic conditions affecting the business, the market, or the industry.

6.8 I have been informed by management of Companies that there are no environmental or toxic contamination problems, any significant lawsuits, or any other undisclosed contingent liabilities which may potentially affect the business of company, except as may be disclosed elsewhere in this report. I have assumed that no costs or expenses will be incurred in connection with such liabilities, if any.

6.9 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.

6.10 The exchange ratio expressed in this report pursuant to valuation of the Companies is based on the Going Concern assumption.

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7. VALUATION DATE

The cut-off date for all the financial information used in the present valuation exercise has been considered on June 30, 2021 and the market parameters have been considered up to September 7, 2021.

8. PREMISE OF VALUE

The premise of Value is “as a going concern”.

9. SOURCES OF INFORMATION

For the purpose of the report, following documents, and/or information published or provided by the management and representatives of the Companies have been relied upon:

From the Managements

9.1 Brief history & brief note on the business profile of the Companies.

9.2 Provisional Financial Statements for the three months ended on June 30, 2021 for VAPL.

9.3 Financial Projections for the period starting from July 1, 2021 to March 31, 2022 and for FY 2022-23 to FY 2025-26 for VAPL.

9.4 Capital structure and Shareholding pattern as of June 30, 2021 of both Companies.

9.5 Draft Scheme of Amalgamation.

9.6 Discussion with the management of the Companies and representatives of the Companies including necessary information, explanations and representations provided by the management and representatives of the Companies.

9.7 Interest rates for term unsecured term loans for the purpose of computation of cost of debt for VAPL.

9.8 List of Comparable Companies of VOL.

9.9 Management representation letter dated September 8, 2021.

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From publicly available sources

9.10 Valuation of VOL as per pricing provisions of Chapter V of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended from time to time – NSE website.

9.11 Risk free rate **(“Rf”)** for the purpose of computation of cost of equity – www.tradeeconomics.com.

9.12 Unlevered beta as per Aswath Damodaran data sets for Speciality Chemical Industry (http://pages.stern.nyu.edu/~adamodar).

9.13 Equity risk premium data for India is as per Aswath Damodaran data sets presented in July 2021 in respect of Country and Risk premium. (http://pages.stern.nyu.edu/~adamodar).

9.14 Comparable Companies data – Screener.com and BSE website.

10 VALUATION STANDARDS

The Report has been prepared in compliance with the Valuation standards adopted by ICAI Registered Valuers Organisation as well as International Valuation Standards issued by International Valuation Standards Council (**‘IVS’**).

11 PROCEDURES ADOPTED

In connection with this exercise, I have adopted the following procedures to carry out the valuation of the Companies:

11.1 Requested and received information as stated in Sources of Information section in this Report.

11.2 Obtained data available in public domain.

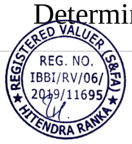
11.3 Undertook industry and market analysis such as researching publicly available market data including economic factors and industry trends that may impact the valuation.

11.4 Discussion (Physical/over call) with the respective management and representatives of the Companies to understand relevant aspects that may impact the valuation.

11.5 Sought various clarifications from the respective management and representatives of the Companies based on my review of information shared and my analysis.

11.6 Selection of valuation methodology/(ies) as per Valuation Standards adopted by ICAI Registered Valuers Organisation as well International Valuation Standards accepted by IVS.

11.7 Determined the fair equity share exchange ratio based on the selected methodology.



12 VALUATION METHODOLOGY AND APPROACH

12.1 The standard of value used in the Analysis is "Fair Value", which is often defined as the price, in terms of cash or equivalent, that a buyer could reasonably be expected to pay and a seller could reasonably be expected to accept, if the business were exposed for sale in the open market for a reasonable period of time, with both buyer and seller being in possession of the pertinent facts and neither being under any compulsion to act.

12.2 Valuation of a business is not an exact science and the conclusions arrived at in many cases will, of necessity, be subjective and dependent on the exercise of individual judgement. In the ultimate analysis, valuation will have to be tempered by the exercise of judicious discretion by the Valuer and judgement taking into accounts all the relevant factors. There is, therefore, no indisputable single value. While I have provided my recommendation of the fair equity share exchange ratio pursuant to the proposed scheme of the Companies based on the financial and other information available to me and within the scope and constraints of my engagement, others may have a different opinion. The final responsibility for determination of the fair equity share exchange ratio is of the management of the Companies who takes into account other factors such as their own assessment of the companies and input of other advisors.

12.3 The valuation exercise involves selecting methods suitable for the purpose of valuation, by exercise of judgment by the Valuers, based on the facts and circumstances as applicable to the business of the Companies to be valued. There are several commonly used and accepted methods for determining the fair value of equity which have been considered in the present case, to the extent relevant and applicable, including:

12.4 **Cost Approach:**

Cost approach focuses on the net worth or net assets of a business.

(A) Net Asset Value (NAV) method

The Net Assets Value (NAV) method, widely used under the Cost approach, considers the assets and liabilities as stated at their book values. The net assets, after reducing the dues to the preference shareholders, and contingent liabilities, if any, represent the value of the Company to the equity Shareholders. This valuation approach is mainly used in case where the assets base dominates earnings capability or in case where the valuing entity is a holding Company deriving significant value from its assets and investments.

(B) Adjusted Net Asset Value Method ("Adjusted NAV")

Adjusted NAV method is a version of NAV method wherein assets and liabilities are considered at their realizable (market) value including intangible assets and contingent liabilities, if any, which are not stated in the Statement of Assets and Liabilities. Under this method, adjustments are made to the company's historical balance sheet in order to present each asset and liability item at its respective fair market value. The difference between the total fair market value of the adjusted assets and the total fair market value of the adjusted liabilities is used to value a company. The

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value arrived at under this approach is based on the financial statements of the business and may be defined as Net-worth or Net Assets owned by the business.

This valuation approach is mainly used in case where the Company is to be liquidated i.e., it does not meet the "going concern" criteria or in case where the assets base dominates earnings capability. The Asset Approach is generally considered to yield the minimum benchmark of value for an operating enterprise.

12.5 **Market Approach:**

(a) Market Price Method

The market price of an equity shares 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 shares.

(b) Comparable Companies Market Multiple (CCMM) Method

Under this methodology, market multiples of comparable listed companies are computed and applied to the business being valued in order to arrive at a multiple based valuation. The difficulty here is in the selection of a comparable company since it is rare to find two or more companies with the same product portfolio, size, capital structure, business strategy, profitability and accounting practices.

Whereas no publicly traded company provides an identical match to the operations of a given company, important information can be drawn from the way comparable enterprises are valued by public markets. This valuation is based on the principle that market transactions taking place between informed buyers and informed sellers, incorporate all factors relevant to valuation. Relevant multiples need to be chosen carefully and adjusted for exceptions and circumstances. Generally used multiples are EV/EBITDA multiple, EV/Revenue and Market Capitalization/PAT (PE multiple).

To arrive at the total value available to the stakeholders, the value arrived under CCMM method if calculated by EV/EBITDA or EV/Sales is adjusted for debt, (net of cash and cash equivalents), surplus non-operating investments and contingent liabilities. Value arrived under the PE multiple is adjusted only for surplus non-operating investments and contingent liabilities. (No debt adjustments required)

(c) Comparable Companies Transactions Multiple (CTM) Method

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

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12.6 **Income Approach:**

The income approach is appropriate for estimating the value of a specific income / cash flows stream with consideration given to the risk inherent in that stream. The most common method under this approach is discounted cash flow method.

Maintainable Profit Method (Discounted Cash Flows – "DCF")

DCF uses the future free cash flows of the company discounted by the firm's weighted average cost of capital (the average cost of all the capital used in the business, including debt and equity), plus a risk factor measured by beta, to arrive at the present value.

Beta is an adjustment that uses historic stock market data to measure the sensitivity of the company's cash flow to market indices, for example, through business cycles.

The DCF method is a strong valuation tool, as it concentrates on cash generation potential of a business. This valuation method is based on the capability of a company to generate cash flows in the future. The free cash flows are projected for a certain number of years and then discounted at a discount rate that reflects a company's cost of capital and the risk associated with the cash flows it generates. DCF analysis is based mainly on the following elements:

- Projection of financial statements (key value driving factors)
- The cost of capital to discount the projected cash flows

Terminal Value

The terminal value refers to the present value of the business as a going concern beyond the period of projections up to infinity. This value is estimated by taking into account expected growth rates of the business in future, sustainable capital investments required for the business as well as the estimated growth rate of the industry and economy.

13 VALUATION OF COMPANIES

VALUATION OF VAPL

13.1 Based on the information and explanations received from management of the VAPL and based on my perusal of the Scheme, I understand that the Scheme is proceeded with, on the assumption that the VAPL is amalgamating as a going concern and an actual realization of the operating assets is not contemplated. In a going concern scenario, the relative earning power, as reflected under the Income and Market approaches, is of greater importance to the basis of amalgamation, with the values arrived at on net asset basis being of limited relevance. Therefore, I have not used the NAV / Adjusted NAV method for valuation of VAPL.

13.2 Further, as informed to me by the management of the VAPL, I understand that VAPL is in the capitalisation phase of its project to manufacture specialty chemicals which are used as stabilizer in the plastic component and increases its wear and tear capacity. Based on my understanding and as represented to me by the management of VAPL, till such time VAPL commences its operation

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at full-capacity, losses are expected to be incurred. However, as represented to me by the management and based on its business plans made available to me the Company expects revenues, profitability and cash flows from operations to accrue from FY 2022-23 onwards. Accordingly, I have chosen to adopt the DCF Approach to value VAPL. The DCF arrives at a value of the enterprise based on its future earnings capacity, risk considered in the business and growth potential – all of which support the going concern premise of valuation, as well as the rationale of the Scheme.

13.3 Further, as informed to me, there are no comparable listed peers as well as comparable companies transactions for VAPL of same specifications, features and financial data etc. and hence I have not used CCMM method and CTM method under Market Approach for valuation of VAPL.

13.4 Since VAPL is not listed on any Indian Stock Exchange; hence Market price method under Market approach is not used for its valuation.

DCF Approach for valuation of VAPL

13.5 DCF method under Income Approach has been considered for valuation of VAPL since its value lies in the future potentials from its business. I have relied on the financial projections starting from July 1 2021 to March 31, 2022 and for FY 2022-23 to FY 2025-26 as received from the management of VAPL dated September 6, 2021. These projections have been updated by the management as compared to the projections provided for my report dated February 2, 2021. Based on the information and explanations received from VAPL's management and back-up data shared by them for the updated projected financial information, the major areas where variations are projected by management of VAPL includes increase in prices of raw materials used in manufacturing its finished products, increase in final sales prices of its finished products and increase in capital expenditure due to major change in design.

13.6 In this approach the valuation would primarily be based on the present value of future cash flows by discounting such future cash flows using an appropriate rate of discounting. Broad steps followed to derive the value under this approach are described as under:

- I have considered the Projected Net Profit after tax of VAPL for future period starting from July 1, 2021 to March 31, 2022 and for FY 2022-23 to FY 2025-26 as received from the management of the VAPL.

- I have made adjustments in relation to Depreciation, Finance cost (net of tax saving), Incremental Working Capital and Incremental Capital Expenditure so as to arrive at the Free cash flows available to firm **("FCFF")** in the respective future period / years.

- The value beyond the explicit forecast period is considered to get the Enterprise Value on a going concern basis. Nominal Growth rate of 1.5 % p.a. is considered in Terminal Value.

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- FCFF for projected period / years and the terminal value are discounted using the Weighted Average Cost of Capital **(“WACC”)** as the discounting factor to arrive at their Net Present Value **(“NPV”)** as at the Valuation date.

- The aggregate of such NPV of FCFF and Terminal Value is the Discounted Free Cash Flows as at the Valuation date.

- The Enterprise so arrived at above has been increased by cash and bank balance and reduced by the outstanding debt as at the Valuation date to arrive at the Equity Value attributable to the Equity Shareholders of VAPL.

- Equity Value as computed above has been then divided by the number of Equity Shares of VAPL as on the Valuation date to arrive at the Value per Equity Share as at the Valuation date.

- Refer Annexure – A for the underlying workings on valuation of VAPL based on DCF Method.

VALUATION OF VOL

13.7 NAV/ Adjusted NAV method under Cost approach has not been considered since the net asset value does not reflect the intrinsic value of the business of VOL in a going concern scenario.

13.8 VOL is a listed entity and information related to profit and loss account, balance sheet and cash flows is price sensitive. In light of the above, I was not provided with projections of VOL by the Management of the Transferee Company. I have therefore, not used this method for the valuation exercise.

13.9 Further, based on the information and explanations received from management of the VOL, I understand that there are no exact comparable transactions due to difference in size, nature, features, financial data etc. for me to present a relative case for valuation. Accordingly, I have not used CTM method under the Market Approach for the valuation exercise.

13.10 I have considered Comparable Companies list shared by VOL for my valuation analysis under CCMM method. Under this method, I have considered average of Enterprise Value to Earnings before interest, tax, depreciation and amortization **(EV/EBIDTA)** and Market Capitalisation to Profit After Tax **(PE multiple)** multiples of comparable companies for my valuation analysis of VOL. However, fair value per equity share arrived under this method for VOL is less than the price determined under Market price method as per ICDR regulations as detailed in subsequent points. Accordingly, I have not adopted this method to arrive at the fair equity share exchange ratio.

13.11 Since the equity shares of Transferee company are listed and traded on BSE and NSE, I have referred to the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulation 2018 as amended from time to time **(“ICDR Regulations”)** and the specific information/explanations available.

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13.12 In the present case, the share price of VOL on the NSE has been considered, as the trading volumes are higher at NSE as compared to BSE as per the requirements of the ICDR Regulations, on a recognized stock exchange during the twelve calendar months preceding the relevant date.

13.13 Attention may also be drawn to Regulation 158 of ICDR Regulations which specifies that issue of equity shares to shareholders of an unlisted entity pursuant to a NCLT approved scheme shall conform with the pricing provisions of preferential issue specified under Regulation 164 of the said regulations. Further it may be noted that Regulation 164 specifies the **minimum price** for issue of shares on a preferential basis.

The Pricing Formula provided in Regulation 164(1) has been considered for arriving at the minimum value per equity share of VOL under the Market Price Method. The market price is considered as higher of the following:

(a) average of the weekly high and low of the volume weighted average price during the 26 weeks preceding September 8, 2021; or
(b) average of weekly high and low of the volume weighted average price during the 2 weeks preceding September 8, 2021.
(c) In the present case, the market price of VOL has been considered based on the last 2 weeks Volume Weighted Average Price ("VWAP") on NSE up to September 8, 2021. The said price is higher than the minimum price as per ICDR regulations. Refer Annexure B of this report for the underlying working.

14 BASIS OF FAIR EQUITY SHARE EXCHANGE RATIO

14.1 The basis of the fair equity share exchange ratio pursuant to the Scheme would have to be determined after taking into consideration all the factors and methods mentioned hereinabove and to arrive at a final value for the shares of each company. It is, however, important to note that in doing so, I am not attempting to arrive at the absolute values of the Companies, but their relative values to facilitate the determination of the fair equity share exchange ratio.

14.2 I have independently applied methods discussed above, as considered appropriate, and arrived at their assessment of value per share of the Companies. To arrive at the consensus of the fair equity share exchange ratio, rounding off have been done in the values (up to two decimals).

14.3 The fair equity share exchange ratio has been arrived at on the basis of a relative valuation based on the various approaches/methods explained above and various qualitative factors relevant to each Company having regard to information base, key underlying assumptions and limitations. For this purpose, I have assigned appropriate weights to the values arrived at under each approach/method.

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15. CAVEATS

15.1 Provision of valuation recommendations and considerations of the issues described herein are areas of my regular corporate advisory practice. The services do not represent accounting, assurance, financial due diligence review, consulting, transfer pricing or domestic/international tax-related services that may otherwise be provided by me.

15.2 My review of the affairs of the Companies and their books and account does not constitute an audit in accordance with Auditing Standards. I have relied on explanations and information provided by the Management and representatives of the Companies and accepted the information provided to me as accurate and complete in all respects. Although, I have reviewed such data for consistency and reasonableness, I have not independently investigated or otherwise verified the data provided. Nothing has come to my attention to indicate that the information provided had material misstatements or would not afford reasonable grounds upon which to base the Report.

15.3 The report is based on the details and information provided to me by the Management and representatives of the Companies and thus the responsibility for the assumptions on which they are based is solely that of the Management of the Companies and I do not provide any confirmation or assurance on these assumptions. Similarly, I have relied on data from external resources. These sources are considered to be reliable and therefore, I assume no liability for the accuracy of the data. I have assumed that the business continues normally without any disruptions due to statutory or other external/internal occurrences.

15.4 The valuation worksheets prepared for the exercise are proprietary to the valuer and cannot be shared except as stated in the purpose statement of this document. Any clarifications on the workings will be provided on request, prior to finalizing the Report, as per the terms of my engagement.

15.5 The scope of my work has been limited both in terms of the areas of the business and operations which I have reviewed and the extent to which I have reviewed them.

15.6 The Valuation Analysis contained herein represents the fair equity share exchange ratio only on the date that is specifically stated in this Report. This Report is issued on the understanding that the Management of the Companies has drawn my attention to all matters of which they are aware, which may have an impact on my Report up to the date of signature. I have no responsibility to update this Report for events and circumstances occurring after the date of this Report.

15.7 My valuation analysis should not be construed as investment advice; specifically, I do not express any opinion on the suitability or otherwise of entering into any transaction with the Companies.

16. VALUATION AND CONCLUSION

Based on the foregoing data, considerations and steps followed, I consider the recommendation of fair equity share exchange ratio for amalgamation of VAPL into VOL as follows:

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Computation of fair equity share exchange ratio

(All amounts in INR except equity share exchange ratio)

	VOL		VAPL	
Valuation approach	**Value per share**	**Weights**	**Value per share**	**Weights**
Asset approach				
Adjusted NAV method	NA	NA	NA	NA
Market approach				
Market price method	1,814.97	100%	NA	NA
Comparable Company Market Multiple method	NA	NA	NA	NA
Comparable Companies Transactions Multiple method	NA	NA	NA	NA
Income approach				
Discounted Cash flow method	NA	NA	35.64	100%
Relative Value per Equity Share	**1814.97**		**35.64**	
Fair Equity Share Exchange Ratio (Rounded off)		**-**	**14/713**	

14 (Forteen) equity shares of VOL of INR 1 each fully paid up for every 713 (Seven Hundred and Thirteen) equity shares of VAPL of INR 10 each fully paid up

Notes to the above table for computation of fair equity share exchange ratio.

- *NA means Not Adopted / Not Applicable.*
- *VAPL is not listed on any Indian Stock Exchange; consequently, Market Price Method under Market Approach is not used.*
- *VOL is listed on BSE and NSE. Hence, I have considered Market Price Method for valuing VOL.*
- *I have not used CCMM Method and CTM Method for VAPL due to difference in size, nature, features, financial data, etc. of VAPL as compared to other Companies operating in similar sector and listed on Indian Stock Exchanges.*
- *I have not used CTM Method for VOL due to difference in size, nature, features, financial data, etc. of VOL as compared to other Companies operating in similar sector and listed on Indian Stock Exchanges.*
- *I have not used NAV / Adjusted NAV under Cost Approach for valuation of VAPL and VOL since the net asset value does not reflect the intrinsic value of the business in a going concern scenario.*

Respectfully submitted,

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Hitendra Ranka
Registered Valuer
Asset Class: Securities or Financial Assets
Registration No. IBBI/RV/06/2019/11695
Place: Ahmedabad
Date: 8 September 2021
UDIN: 21157129AAAAAN6859

Annexure A – Valuation of VAPL as per DCF Method

Veeral Additives Private Limited ('VAPL')
Valuation of equity shares for determining the fair exchange ratio of equity shares
Discounted Cash Flow Method
As at June 30, 2021
(All amounts in INR lakhs except per share data)

Particulars	Amount
Net present value (NPV) of Free Cash flows available to Firm for explicit forecast period	1,729
Add: NPV of Terminal Value	31,399
Enterprise Value	**33,128**
Less: Net debt as at valuation date	(17,091)
Equity Value	**16,036**
Number of equity shares (in lakhs)	450
Equity value per share	**35.64**

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Annexure B – Valuation of Vinati Organics Limited ("VOL") as per Pricing Provisions as per SEBI (ICDR) Regulations, 2018 (as amended till date)

Pricing as per ICDR guidelines - 26 weeks

Week	Start Date	End Date	High	Low	Average
1	9/1/2021	9/7/2021	1,864.94	1,794.22	1,829.58
2	8/25/2021	8/31/2021	1,822.40	1,778.31	1,800.36
3	8/18/2021	8/24/2021	1,915.35	1,788.70	1,852.03
4	8/11/2021	8/17/2021	1,918.46	1,867.11	1,892.79
5	8/4/2021	8/10/2021	1,988.43	1,929.89	1,959.16
6	7/28/2021	8/3/2021	1,983.36	1,930.59	1,956.98
7	7/21/2021	7/27/2021	1,977.93	1,938.85	1,958.39
8	7/14/2021	7/20/2021	1,971.20	1,913.81	1,942.51
9	7/7/2021	7/13/2021	2,064.53	1,924.87	1,994.70
10	6/30/2021	7/6/2021	2,055.79	1,859.78	1,957.79
11	6/23/2021	6/29/2021	1,882.37	1,848.05	1,865.21
12	6/16/2021	6/22/2021	1,803.19	1,742.58	1,772.89
13	6/9/2021	6/15/2021	1,802.42	1,741.87	1,772.15
14	6/2/2021	6/8/2021	1,800.81	1,772.15	1,786.48
15	5/26/2021	6/1/2021	1,799.54	1,771.33	1,785.44
16	5/19/2021	5/25/2021	1,833.41	1,795.93	1,814.67
17	5/12/2021	5/18/2021	1,794.45	1,680.32	1,737.39
18	5/5/2021	5/11/2021	1,727.21	1,717.41	1,722.31
19	4/28/2021	5/4/2021	1,738.43	1,703.18	1,720.81
20	4/21/2021	4/27/2021	1,728.21	1,648.95	1,688.58
21	4/14/2021	4/20/2021	1,612.35	1,598.02	1,605.19
22	4/7/2021	4/13/2021	1,642.96	1,542.35	1,592.66
23	3/31/2021	4/6/2021	1,436.70	1,389.99	1,413.35
24	3/24/2021	3/30/2021	1,420.35	1,399.21	1,409.78
25	3/17/2021	3/23/2021	1,425.48	1,392.75	1,409.12
26	3/10/2021	3/16/2021	1,458.80	1,415.39	1,437.10

Pricing as per ICDR guidelines - 2 weeks

Week	Start Date	End Date	High	Low	Average
1	9/1/2021	9/7/2021	1,864.94	1,794.22	1,829.58
2	8/25/2021	8/31/2021	1,822.40	1,778.31	1,800.36

Minimum price prescribed under Regulation 164	INR per share
a. the average of the weekly high and low of the volume weighted average price of the related equity shares quoted on the recognised stock exchange during the twenty six weeks preceding the relevant date; or	1,756.82
b. the average of the weekly high and low of the volume weighted average prices of the related equity shares quoted on a recognised stock exchange during the two weeks preceding the relevant date	1,814.97
Higher of the above two considered as minimum price under Regulation 164	**1,814.97**

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