COMFORT

# COMFORT SECURITIES LIMITED

A-301, Hetal Arch, Opp. Natraj Market, S.V. Road, Malad (West), Mumbai - 400 064
Tel. No. : 91-22-2844 97 65 / 2881 1259 / 2882 5509 • Fax: 022-2889 2527
Email: info@comfortsecurities.co.in • URL: www.comfortsecurities.co.in
CIN NUMBER: U67120MH2002PLC136562

**December 22, 2017**

To,

The Board of Directors
**Solid Containers Limited**
2006, Fossberry Road,
Near ICI Limited, Reay Road (E),
Mumbai – 400 033

The Board of Directors
**Ayepee Lamitubes Limited**
B-1, MIDC P.O., Murbad,
Thane – 421401

**Subject: Fairness Opinion on Share Exchange Ratio for the proposed merger of Ayepee Lamitubes Limited with Solid Containers Limited.**

Dear Sirs,

We refer to our Appointment Letter dated November 27, 2017 ("Appointment Letter"), whereby Solid Containers Limited ("SCL") has requested Comfort Securities Limited ("CSL" / "We") to provide a Fairness Opinion on the Share Exchange Ratio (as defined below) recommended by Samir Gajjar & Co., Chartered Accountants (the "Valuer") vide their report dated December 20, 2017 ("Valuation Report" /"Report"), in relation to the proposed scheme of merger of Ayepee Lamitubes Limited (ALL) with SCL. SCL and ALL are collectively referred as "Companies"

**Background of the Company**

**(A) Solid Containers Limited**

The Company was incorporated as Solid Containers Limited on November 21, 1964 under the Companies Act, 1956 vide Certificate of Incorporation issued by the Registrar of Companies, Maharashtra. The Company obtained certificate of commencement of business on January 19, 1965.

The nature of business provided by SCL is manufacturing of Solid paperboard Kraft Papers, Duplex Box & Solid Edge Protector. However, the production of the Company has been suspended since September, 1998.

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The shareholding pattern of **Solid Containers Limited** as on September 30, 2017 is as follows:

| Sr. No. | Particulars | % of Holding |
|---|---|---|
| 1. | Promoter and Promoter Group | 56.63 |
| 2. | Institutions | 20.06 |
| 3. | Non-Institutions | 23.31 |
| **TOTAL** | | **100.00** |

SCL has also issued 140 lakhs Redeemable Cumulative Preference Shares (RPS) of Face value of Rs. 10 each.

**(B) Ayepee Lamitubes Limited**

The Company was originally incorporated as Ayepee Lamitubes Private Limited under the provisions of the Companies Act 1956 vide certificate of incorporation dated February 10, 1984, issued by the Registrar of Companies, Maharashtra. Subsequently, the name of the Company was changed to Ayepee Lamitubes Limited pursuant to conversion into a public company and fresh certificate of incorporation dated September 23, 1986.

The Company is in the business of manufacture and sale of multi laminated flexible & rigid tubes, packaging material, containers, tubes, bags cap and other packaging material.

The shareholding pattern of **Ayepee Lamitubes Limited** as on September 30, 2017 is as follows:

| Sr. No. | Particulars | % of Holding |
|---|---|---|
| 1. | Promoter and Promoter Group | 48.49 |
| 2. | Others | 51.51 |
| **TOTAL** | | **100.00** |

ALL has issued 7 lakhs Redeemable Cumulative Preference Shares (RCPS) of Face Value of Re. 1 each.

**<u>Purpose of this report</u>**

We understand that the Board of Directors of Companies are proposing to merge ALL with SCL pursuant to a scheme of merger under the provisions of Section 230-232 and other applicable provisions of the Companies Act, 2013 and corresponding provisions of the Companies Act, 1956 to the extent applicable (the "Scheme").

In order to comply with the requirements of the regulator, the Companies have appointed a Valuer for the Merger. In this connection, the Management has engaged Comfort Securities Limited ("CSL")

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to submit a report on the fairness of the report provided by the Valuer with respect to Merger. Our scope of work includes commenting only on the fairness of the recommendation in the report by the Valuer and not on the fairness or economic rationale of the Merger per se.

This report is deliverable in respect of our Fairness Opinion on report by Valuer for the proposed merger of ALL with SCL.

This report is subject to the scope, assumption, exclusion, limitations and disclaimers detailed hereinafter. As such the report is to be read in totality, not in parts and in conjunction with the relevant documents referred to herein. The report has been issued only for the purpose of facilitating the Merger and should not be used for any other purpose.

**Sources of Information**

In arriving at the opinion set forth below, we have reviewed:

1. The Draft Scheme of Amalgamation;

2. Audited Financial Results of SCL for the year ended 31st March 2017

3. Audited financial statements of ALL for the year ended 31st March, 2017;

4. Shareholding pattern of SCL and ALL as on 30th September, 2017.

5. Held discussions with the SCL Management, Valuer and perused the Valuation Report.

6. Land Valuation Report of M/s Anmol Shekri Consultants Pvt. Ltd. dated December 19, 2017.

In addition to the above, we have also obtained such other information and explanations, which were considered relevant for the purpose of our analysis.

**Exclusions and Limitations**

We have not carried out any due diligence or independent verification or validation of such information to establish its accuracy or sufficiency. We have not conducted any independent appraisal of any assets or liabilities of the Companies.

Our work did not constitute a validation of the financial statements of the Companies, and accordingly, we do not express any opinion on the same. If there were any omissions, inaccuracies or misrepresentations of the information provided by the Management, it may have a material effect on our findings.

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No consideration has been given to liens or encumbrances against the assets, beyond the loans as disclosed in the accounts. Therefore no liabilities have been assumed for matters of legal nature.

In rendering our opinion, we have assumed that the scheme will be implemented on the terms described therein, without any waiver or modification of any material terms or conditions, and that in the course of obtaining the necessary regulatory or third party approvals for the Scheme, no delay, limitations, restrictions or condition will be imposed that would have an adverse effect on the Companies.

CSL has relied upon the representations that the information provided by it, or on its behalf, is accurate and complete in all material respects. While all public information (including industry and statistical information) was obtained from sources we believe are reliable, CSL makes no representation as to the accuracy or completeness thereof, and we have relied upon such public information without further verification.

The opinion should not be construed, to be investment advice in any manner whatsoever. Furthermore, no opinion, counselor interpretation is intended in matters that require legal, accounting, tax or other appropriate professional advice. It is assumed that such opinions, counselor interpretations have been or will be obtained from the appropriate professional sources.

The fee for our services is not contingent upon the results of the proposed Merger. This opinion is subject to laws of India.

Our opinion is not intended to and does not constitute a recommendation to any shareholder as to how such holder should vote or act in connection with Scheme or any matter related thereto.

**Valuer's Recommendation**

As stated in the valuation report, the Valuer has recommended a consideration of:

- **1 (One) Equity Share of SCL of the face value of Rs.10 each fully paid-up for every 2,192 (Two Thousand One Hundred Ninety Two) Equity Shares of ALL of the face value of Rs.10 each fully paid-up.**
- **24 (Twenty Four) Equity Share of SCL of the face value of Rs.10 each fully paid-up for every 10 (Ten) Redeemable Cumulative Preference Shares of ALL of the face value of Re.1 each fully paid-up.**

The ratio in which equity shares of SCL are to be issued and allotted to the shareholders of the ALL is referred to as the "Share Exchange Ratio".

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**Our Comment on the Valuer's Report**

In the circumstance, having regards to the relevant factors and on the basis of information and explanations provided to us, in our view, the proposed consideration as recommended by the valuer, which forms the basis for the proposed Merger, is fair in our opinion.

The aforesaid Merger shall be pursuant to the scheme of merger and shall be subject to receipt of approval from the National Company Law Tribunal and other statutory approvals as may be required. The detailed terms and conditions of the Merger shall be more fully set forth in the draft scheme of merger. We have issued the fairness opinion with the understanding that scheme of merger shall not be materially altered and the parties hereto agree that the Fairness Opinion would not stand good in case the final scheme of merger alters the transaction.

Yours truly,

For **Comfort Securities Limited**
SEBI Registered Category I Merchant Banker
Registration Code: INM000011328

COMFORT SECURITIES LIMITED MUMBAI

**Anil Agrawal**
**Director**
**DIN: 00014413**