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June 28, 2018

The Board of Directors
Aarti Industries Limited
Plot No.801/23, G.I.D.C Estate,
Phase III, Vapi, Dist., Valsad,
Gujarat - 396 195

Dear Sirs,

Sub.: Fairness Opinion Certificate on the report on recommendation of Share Entitlement Ratio by N. M. Raiji & Co. (Chartered Accountants).

Ref.: Composite Scheme of Arrangement between Aarti Industries Limited ("AIL" or "Demerged Company A" or "Resultant Company B") and Nascent Chemical Industries Limited ("Nascent" or "Demerged Company B") and Arti Surfactants Limited ("ASL" or "Resultant Company A") and their respective shareholders and creditors (hereinafter referred to as the "Scheme").

This has reference to the request made by the management of Aarti Industries Limited in connection with fairness opinion on the report on recommendation of Share Entitlement Ratio by N. M.Raiji & Co. (Chartered Accountants) (hereinafter referred to as **"Valuer"**):

(i) for issue of equity shares or Redeemable Preference Shares (**"RPS"**) of the Resultant Company A to the equity shareholders of the AIL, at their option in connection with proposed demerger of the Home and Personal Care Undertaking into Arti Surfactants Limited; and

(ii) for issue of equity shares of the AIL to the equity shareholders of the Demerged Company B, in connection with the proposed demerger of the Manufacturing Undertaking of Nascent into the AIL.

1. PURPOSE OF SHARE ENTITLEMENT RATIO REPORT BY THE VALUER

1.1 The Board of Directors of the AIL has considered and approved the composite scheme of arrangement at their meeting held on June 28, 2018 providing for the demerger of the Home and Personal Care Undertaking of AIL into Arti Surfactants Limited and the demerger of the Manufacturing Undertaking of Nascent into the AIL. As consideration for the demerger of Home and Personal Care Undertaking, Arti Surfactants Limited would

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For AARTI INDUSTRIES LTD.

Raj Sarraf
Company Secretary
ICSI M. No. A15526

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issue equity shares or RPS to the equity shareholders of the AIL, at their option. While regarding the consideration for the demerger of Manufacturing Undertaking of Nascent, AIL would issue equity shares to the equity shareholders of Nascent, other than those held by Aarti Corporate Service Limited. The appointed date for the purpose of the demerger of the Home and Personal Care Undertaking and Manufacturing Undertaking are April 1, 2018 and April 1, 2018 respectively. AIL holds 50,000 equity shares of ASL representing 100.0% of the total equity share capital of ASL. The existing share holding of ASL held by AIL is proposed to be cancelled as part of the proposed Scheme.

1.2 In this regard, N. M. Raiji & Co. (Chartered Accountants) was appointed by the Company to recommend a Share Entitlement Ratio for the proposed Scheme.

1.3 The information contained herein and our report is confidential. It is intended only for the sole use of captioned purpose including for the purpose of obtaining requisite approvals as per Regulation 37 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (**"SEBI (LODR) Regulations 2015"**) read with SEBI Circular no. CFD/DIL3/CIR/2017/21 dated March 10, 2017, Circular No. CFD/DIL3/CIR/2017/26 dated March 23, 2017, Circular No. CIR/IMD/DF/50/2017 dated May 26, 2017, Circular No. CFD/DIL3/CIR/2017/105 dated September 21, 2017 and Circular No. CFD/DIL3/CIR/2018/2 dated January 3, 2018 (hereinafter collectively referred to as "**Circulars**").

2. BRIEF BACKGROUND OF COMPANIES

2.1 Aarti Industries Limited

2.1.1 Aarti Industries Limited is one of the leading Indian manufacturers of Specialty Chemicals and Pharmaceuticals with a global footprint. Its products are used in the downstream manufacture of pharmaceuticals, agrochemicals, polymers & additives, fuel additive, rubber chemicals, surfactants, pigments, dyes etc.

2.1.2 The Company's integrated manufacturing plants (backward and forward) manufacture more than 200 products. It operates 17 manufacturing plants. These units are located across Gujarat, Maharashtra, Madhya Pradesh and Silvassa.

2.1.3 AIL is currently listed on the BSE Limited (BSE) and National Stock Exchange of India (NSE).

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2.1.4 The Shareholding pattern of AIL as on March 31, 2018 is as under:

Shareholders	No. of shares	% shareholding
Promoter	4,15,23,816	51.1%
Non promoter	3,97,76,184	48.9%
Total	**8,13,00,000**	**100.0%**

2.2 **Nascent Chemical Industries Limited**

2.2.1 Nascent Chemicals Industries Ltd (Nascent) is an entity incorporated in the year 1966. It is in the business of manufacturing operations in Gujarat as well as Trading of Chemicals. Aarti Industries Ltd (through its 100% subsidiary Aarti Corporate Services Ltd) holds 50.49% stake in Nascent. The manufacturing division of Nascent manufactures few speciality chemicals on behalf of Aarti Industries Ltd under the conducting arrangement. These products are part of the integrated value chain of Speciality Chemicals of Aarti Industries Limited.

2.2.2 The Shareholding pattern of Nascent as on March 31, 2018 is as under:

Shareholders	No. of shares	% shareholding
Promoter	600,000	100.0%
Total	**6,00,000**	**100.0%**

3. SOURCES OF INFORMATION

For the purposes of fairness opinion, we have relied upon the following sources of information:

(a) Draft Composite Scheme of Arrangement u/s. 230 to 232 of the Companies Act, 2013;

(b) Certified Report on Recommendation of Share Entitlement Ratio for the demergers dated June 28, 2018, issued by N. M. Raiji & Co (Chartered Accountants);

(c) Certified Copy of Certificate of Incorporation and Memorandum and Articles of Association of the AIL, Nascent and ASL;

(d) Audited Financial Statements of the AIL and Nascent for the financial year ("**FY**") ended March 31, 2018.

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(e) Discussions with the Management of AIL, Nascent and ASL on various issues relevant for the valuation including the prospects and outlook for the industry, expected growth rate and other relevant information relating to future expected profitability of the business, etc.

(f) Other relevant details regarding the Companies such as their history, their promoters, past and present activities, future plans and prospects, existing shareholding pattern and other relevant information and data as provided by the Management of AIL, Nascent and ASL.

(g) Other such information and explanations as were required and which have been provided by N. M. Raiji & Co (Chartered Accountants).

(h) Information available in the public domain.

4. EXCLUSIONS AND LIMITATIONS

4.1 Conclusions reached by us are dependent on the information provided to us being complete & accurate in all material respects. Our scope of work does not enable us to accept responsibility for the accuracy and completeness of the information provided to us. The scope of our assignment did not involve us performing audit tests for the purpose of expressing an opinion on the fairness or accuracy of any financial or analytical information used during the course of our work. We have not performed any audit, review or examinations of any of the historical or prospective information used and, therefore, do not express any opinion with regard to the same. In addition, we do not take any responsibility for any changes in the information used for any reason, which may occur subsequent to the date of our certificate.

4.2 No investigation of the Companies' claim to title of assets has been made by us for the purpose of this exercise and the Companies' claim to such rights has been assumed to be valid. No consideration has been given to liens or encumbrances against the assets, beyond the loans disclosed in the account. Therefore, no responsibility is assumed for matters of a legal nature.

4.3 This certificate is prepared with a limited purpose / scope as identified / stated earlier and will be confidential being for use only to whom it is issued. It must not be copied, disclosed or circulated in any correspondence or discussions with any person, except to whom it is issued and to those who are involved in this transaction and for various approvals for this transaction.

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4.4 Our opinion is not, nor should it be construed as our opining or certifying the compliance of proposed demergers with the provision of any law including Companies, Taxation and

For AARTI INDUSTRIES LTD.
Company Secretary
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other regulatory provisions or as regards any legal implications or issues arising thereon. Our opinion also does not address any matters otherwise than as expressly stated herein, including but not limited to matters such as corporate governance matters, shareholder rights or any other equitable considerations. We have also not opined on the fairness of any terms and conditions of the scheme other than the fairness, from financial point of view, of the Share Entitlement Ratio.

4.5 We do not express any opinion as to the price at which shares of the Company may trade at any time, including subsequent to the date of this opinion. 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, limitation, restriction or condition will be imposed that would have an adverse effect on the Companies.

4.6 The Fairness Opinion is addressed only to the Board of Directors of Companies and is for the purpose of submission to the Stock Exchanges under the SEBI Circulars. Further, the Fairness Opinion may be disclosed on the website of Companies and the Stock Exchanges and also be made part of the explanatory statement to be circulated the shareholders and/or creditors of the Company. The Fairness Opinion shall not otherwise be disclosed or referred to publicly or to any other third party without Master Capital Services Limited prior written consent. The Fairness Opinion should be read in totality and not in parts.

4.7 We have not reviewed the terms and conditions of Redeemable Preference Shares (RPS) to be issued by ASL to the equity shareholders of AIL in case of Demerger of Home and Personal Care Undertaking of AIL into Arti Surfactants Limited.

4.8 In no circumstances however, will Master Capital Services Limited or its directors, officers, employees and controlling persons of Master Capital Services Limited accept any responsibility or liability including any pecuniary or financial liability to any third party.

4.9 Further, this Fairness Opinion should not be used or quoted for any purpose other than the purpose mentioned hereinabove. If this Fairness Opinion is used by any person other than to whom it is addressed or for any purpose other than the purpose stated hereinabove, then we will not be liable for any consequences thereof. Neither this Fairness Opinion nor its contents may be referred to or quoted to / by any third party, in any registration statement, prospectus, offering memorandum, annual report, loan agreement or any other agreement or documents given to third parties.

For AARTI INDUSTRIES LTD.

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Raj Sanraf
Company Secretary
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5. CONCLUSION

5.1 We have reviewed the approach used by the Valuer for recommending of Share Entitlement Ratio for the proposed Scheme.

5.2 On the basis of the foregoing points read with regulation 37 of the SEBI (LODR) Regulations, 2015 and in terms of SEBI Circulars, we are of the opinion that the recommendation made by N. M. Raiji & Co. (Chartered Accountants) is fair & reasonable with regards to Share Entitlement Ratio for the demergers which is as under:

- **For Equity Shareholders of the AIL:**

1 (One) equity share of INR 10/- each fully paid up or 1 (One) Redeemable Preference Share of INR 10/- each fully paid up of ASL for every 10 (Ten) existing equity share of INR 5/- each fully paid of AIL in consideration for the demerger of Home and Personal Care Undertaking would be fair and reasonable, considering that all the shareholders of AIL are and will, upon the demerger, be the ultimate beneficial owners of ASL in the same ratio (inter se) as they hold shares in AIL.
Based on the above entitlement ratio, the resultant fair value per equity shares / RPS comes to INR 167.70.

- **For Equity Shareholders of Nascent Chemical Industries Limited:**

151 (One Hundred and Fifty One) Equity Shares of AIL of face value INR 5/- each for every 100 equity shares of Nascent of INR 10/- each. Shareholders holding less than 100 equity shares of Nascent will be issued proportionate shares of AIL based on above mentioned share exchange ratio.

Thanking you,
Yours faithfully,
For Master Capital Services Limited

Name: Jaspal Singh Rawat
Designation: Senior Vice President
Category I Merchant Banker
SEBI Regn. No.: INM000000107
Place: Chandigarh

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For AARTI INDUSTRIES LTD.
Raj Sarraf
Company Secretary
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