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STRICTLY PRIVATE & CONFIDENTIAL

June 28, 2018

To,
The Board of Directors
Aarti Industries Limited
Plot No 801/23 GIDC estate
Phase III,Vapi
Gujarat- 396195

The Board of Directors
Nascent Chemical Industries Limited
909 Raheja Centre
Nariman Point
Mumbai - 400021

Arti Surfactants Limited
801, 801/23, GIDC Estate, Phase III,
Vapi, Dist. Valsad – 396 195, Gujarat

Re: Recommendation of Share Entitlement Ratio for the purpose of proposed demerger of (a) Home and Personal Care Undertaking of Aarti Industries Limited into Arti Surfactants Limited and (b) the Manufacturing Undertaking of Nascent Chemical Industries Limited into Aarti Industries Limited

Dear Sir(s),

As requested by the management of Aarti Industries Limited, Arti Surfactants Limitedand Nascent Chemical Industries Limited (hereinafter collectively referred to as the "Management"), we have carried out the fair valuation of equity shares of Aarti Industries Limited, valuation of the Home and Personal Care Undertaking of Aarti Industries Limitedand valuation of Manufacturing Undertaking of Nascent Chemical Industries Limited, to determine the Share Entitlement Ratio,for the proposed demerger of (a) Home and Personal Care Undertaking (hereinafter referred to as "HPC Business") of Aarti Industries Limited (hereinafter referred to as "AIL" or "Demerged Company A") into Arti Surfactants Limited (hereinafter referred to as "ASL" or "Resultant Company A") and (b) the Manufacturing Undertaking (hereinafter referred to as "MFT Business") of Nascent Chemical Industries Limited (hereinafter referred to as "NCIL" or "Demerged Company B") into Aarti Industries Limited (hereinafter referred to as "Resultant Company B") (both the demerger together referred to as "the Transaction").

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For AARTI INDUSTRIES LTD.

Raj Sarraf
Company Secretary
ICSI M. No. A15526

1. PURPOSE OF VALUATION

1.1 As informed, the Managementare contemplating:

1.1.1 a proposal for demerger of the Home and Personal Care Undertaking of AILintoASL, (hereinafter referred to as "Demerger A") pursuant to the provisions of Section 230 to 232 and other applicable provisions of the Companies Act, 2013 (including statutory modifications or re-enactments thereof) for the time being in force. Subject to necessary approvals, the Demerger will be with effect from the Appointed Date of 1st April 2018. The entitlement for the Demerger A will be discharged by giving an option to shareholder to subscribe for equity share of Rs. 10/- each or Redeemable Preference Share (RPS) of Rs. 10/- each in the Resultant Company A.

1.1.2 a proposal for demerger of Manufacturing Undertaking of NCIL into AIL, (hereinafter referred to as "Demerger B") pursuant to the provisions of Section 230 to 232 and other applicable provisions of the Companies Act, 2013 (including statutory modifications or re-enactments thereof) for the time being in force, (hereinafter referred to as "Scheme"). Subject to necessary approvals, Demerger B will be effective from the Appointed Date of 2nd April 2018. The entitlementof the shareholders of NCIL under Demerger B will be discharged by way of issue of equity shares of AIL to them.

1.2 In this connection, we, M/s. N. M. Raiji & Co., Chartered Accountants, have been appointed to carry out the valuation of HPC Business of AIL, valuation of RPS to be issued by ASL, Equity Shares of AIL and valuation of MFT Business of NCIL to recommend the share entitlement ratio for Demerger A and Demerger B, having regard to the Securities and Exchange Board of India ("SEBI") Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017, read with Circular No. CFD/DIL3/CIR/2017/26 dated March 23, 2017.

2. BRIEF BACKGROUND OF THE COMPANIES

2.1 AARTI INDUSTRIES LIMITED (AIL)

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.

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

2.1.4 The Shareholding pattern of AILas 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(NCIL)

2.2.1 Nascent Chemicals Industries Ltd. (NCIL) was 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 NCIL. The manufacturing division of Nascent manufactures few specialty chemicals on behalf of Aarti Industries Ltd under the conducting arrangement. These products are part of the integrated value chain of specialty chemicals of Aarti Industries Limited.

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

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

2.3 Home and Personal Care Undertaking of AIL (HPC Business)

2.3.1 The HPCBusiness caters to FMCG companies and has applications in shampoos, anti-dandruff shampoos, disinfectants, hand & body wash, dish wash, detergents bars & powders, soaps, tooth powders, paste, etc.

2.3.2 The HPC Business of AIL contributed over 7% of the total revenues for FY17-18.

2.3.3 It has one manufacturing unit each at Pithampur (Madhya Pradesh) and at Silvassa.

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ICSI M. No. A15526

3. EXCLUSIONS AND LIMITATIONS

3.1 Our report is subject to the scope limitations detailed hereinafter. As such, the report is to be read in totality, and not in parts, and in conjunction with the relevant documents referred to herein.

3.2 No investigation of the Companies' claim to title of assets has been made for the purpose of this valuation and their 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 accounts. Therefore, no responsibility is assumed for matters of a legal nature.

3.3 Our work does not constitute an audit or certification of the historical financial statements / prospective results, including the working results of the Companies referred to in this report, and should not be construed as such. Accordingly, we are unable to and do not express an opinion on the fairness or accuracy of any financial information referred to in this report. Valuation analysis and results are specific to the purpose of valuation mentioned in the report and is as per the agreed terms of our engagement. It may not be valid for any other purpose or as at any other date. Also, it may not be valid if done on behalf of any other entity.

3.4 A valuation of this nature involves consideration of various factors, including those impacted by prevailing market trends, in general, and industry trends, in particular. This report is issued on the understanding that the managements of the respective Companies have drawn our attention to all the matters, which they are aware of, concerning the financial position of the Companies and any other matter, which may have an impact on our opinion and on the fair value of the shares of the Companies, including any significant changes that have taken place, or are likely to take place in the financial position of the Companies, subsequent to the Appointed Date for the proposed Demerger A and Demerger B. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

3.5 In the course of the valuation, we were provided with both written and verbal information. We have, however, evaluated the information provided to us by the Companies through broad inquiry, analysis and review, but have not carried out a due diligence or an audit of the information provided for the purpose of this engagement. Public information, estimates, industry and statistical information relied upon in this report have been obtained from sources considered by us to be reliable. However, we have not independently verified such information and make no representation as to the

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For AARTI INDUSTRIES LTD.
Raj Sarraf
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ICSI M. No. A15526

accuracy or completeness of such information from or provided by such sources. Our conclusions are based on the assumptions, forecasts and other information given by/on behalf of the Companies. We assume no responsibility for any errors in the above information furnished by the Companies and its consequential impact on the present exercise.

3.6 Our report should not be construed as our opining or certifying the compliance of the proposed Demerger A and Demerger B with the provisions of any law, including companies, taxation and capital market related laws, or as regards any legal implications or issues arising from such proposed demerger.

3.7 This report is being issued only in connection with the proposed Demerger A and Demerger B, exclusively for the use of the Companies and for submission to any regulatory/statutory authority, as may be required under any applicable law.

3.8 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 A.

3.9 Any person/party intending to provide finance/invest in the shares/businesses of any of the Companies, shall do so, after seeking their own professional advice and after carrying out their own due diligence procedures to ensure that they are making an informed decision.

3.10 It is to be noted that any reproduction, copying or otherwise quoting of this report or any part thereof, other than in connection with the proposed Demerger A and Demerger B, as aforesaid, can be done only with our prior permission in writing.

3.11 The fee for the engagement and this report is not contingent upon the results reported.

3.12 Neither N. M. Raiji& Co., nor its partners, managers, employees, norany of their agents, make any representation or warranty, express or implied, as to the accuracy, reasonableness or completeness of the information, based on which the valuation is carried out. All the aforestatedparties expressly disclaim any and all liability for, or based on or relating to any such information contained in the valuation.

4. SOURCES OF INFORMATION

4.1 For the purpose of the valuation exercise, we have relied upon the following sources of information provided by the management:

(a) Memorandum and Articles of Association of the Companies;

(b) Audited financial statements of AIL and NCILfor the year ended March 31, 2016 , March 31, 2017, March 31, 2018;

For AARTI INDUSTRIES LTD.

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Raj Sarraf
Company Secretary
ICSI M. No. A15526

(c) Audited financial statements of Ganesh Polychem Ltd, a subsidiary of AIL, for the year ended March 31, 2018;

(d) Management certified position of assets and liabilities of manufacturing business of NCIL as on March 31, 2018, prepared in compliance with section 2(19AA) of the Income Tax Act, 1961;

(e) Management certified position of assets and liabilities of Home and Personal Care business of AIL as on March 31, 2018, prepared in compliance with section 2(19AA) of the Income Tax Act, 1961;

(f) Share capital details of AIL and NCIL as on March 31, 2018, and of ASL as on the date of its incorporation, i.e June 18, 2018;

(g) Composite Scheme of Arrangement, pursuant to the provisions of Sections 230 to 232 and other applicable provisions of the Companies Act 2013(including statutory modifications or re-enactments thereto) for the time being in force;

(h) Other relevant details regarding the Companies, such as their history, their promoters, past and present activities,other relevant information and dataincluding information in the public domain; and

(i) Such other information and explanations as we required and which have been provided by the managements of the respective Companies. We have relied on the representations made to us by the management, including financial information, significant transactions and events occurring subsequent to the balance sheet date. We have assumed such representations to be reliable and our conclusions are dependent on such information being complete and accurate in all material respects.

5. SALIENT FEATURES OF THE COMPOSITE SCHEME OF ARRANGEMENT

5.1 The salient featured of the Demerger A is given below:

5.1.1 Thedemerger of the Home and Personal Care Undertaking ("HPC Business") of Aarti Industries Limited (hereinafter referred as "AIL" or "Demerged Company A") into Arti Surfactants Limited (hereinafter referred to as "ASL" or "the Resultant Company A") and the subsequent listing of the Resultant Company A on the Bombay Stock Exchange Limited ("BSE") and the National Stock Exchange of India Limited ("NSE").

5.1.2 The scheme envisages transfer of all the assets and liabilities, duties, obligations, contracts etc., of the HPC business of AIL to ASL, at their book values, with effect from the Appointed Date i.e1st April 2018.

For AARTI INDUSTRIES LTD.

N. M. RAIJI & CO. MUMBAI CHARTERED ACCOUNTANTS

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Raj Sarraf
Company Secretary
ICSI M. No. A15526

5.1.3 The Demerger Awould be in compliance with the provisions of Section 2(19AA) of the Income Tax Act, 1961, such that:

a) all the properties of the HPC Business, being transferred by the Demerged Company A, immediately before the Demerger Awould become the properties of the Resultant Company A by virtue of such Demerger.

b) all the liabilities directly attributable and relatable to the HPC Business being transferred by the Demerged Company A, immediately before the Demerger, would become the liabilities of the Resultant Company A, by virtue of such Demerger.

c) The properties and the liabilities, as mentioned abovein respect of the HPC Business being transferred by the Demerged Company A would be transferred to the Resultant Company A at the values appearing in the books of account of the Demerged Company A immediately before the Demerger. For this purpose, any change in the value of assets consequent to their revaluation, if any, would be ignored.

d) The Resultant Company A (which is covered under the definition of Resulting Company u/s 2(41A) of the Income Tax Act, 1961) would issue, in consideration of the Demerger A, shares to the shareholders of the Demerged Company A on a proportionate basis.

e) Shareholders holding at least 75% value of shares of the Demerged Company A would become the shareholders of the Resultant Company A, by virtue of the DemergerA, otherwise than as a result of the acquisition of the property or assets of the Demerged Company A or any business thereof by the Demerged Company A; and

f) The transfer of the HPC Business of the Demerged Company A would be on a going concern basis.

5.1.4 The Scheme also provides that the shares held by AIL in ASL shall be cancelled upon the scheme becoming effective.

5.1.5 The HPC Business, as defined in the Scheme and Statement of Assets & Liabilities of the HPC Business as on the Appointed date, as certified by the Management, is reproduced in Annexure I A to this report.

5.2 The salient features of Demerger Bare given below:

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Raj Sarraf
Company Secretary
ICSI M. No. A15526

5.2.1 demerger of the Manufacturing Undertaking ("MFT Business") of Nascent Chemical Industries Limited (hereinafter referred as into "Demerged Company B") into AIL (hereinafter also referred as "Resultant Company B").

5.2.2 The scheme envisages transfer of all the assets and liabilities, duties, obligations, contracts, etc., of the manufacturing business of NCIL to AIL, by way of demerger, at their book values, with effect from the Appointed Datei.e 2nd April 2018.

5.2.3 Demerger B would also be in compliance with the provisions of Section 2(19AA) of the Income Tax Act, 1961, in that:

a) all the properties of the MFT Business, being transferred by the Demerged CompanyB, immediately before the Demerger Bwould become the properties of the Resultant Company B (AIL)by virtue of such Demerger.

b) all the liabilities relatable to the MFT Business being transferred by the Demerged CompanyB, immediately before the Demerger, would become the liabilities of the Resultant Company B(AIL), by virtue of such Demerger.

c) The properties and the liabilities relatable to the MFT Business being transferred by the Demerged Company B would be transferred to the Resultant Company B (AIL) at the values appearing in the books of account of the Demerged Company Bimmediately before the Demerger. For this purpose, any change in the value of assets consequent to their revaluation, if any, would be ignored.

d) The Resultant Company B (AIL) (which is covered under the definition of Resulting Company u/s 2(41A) of the Income Tax Act, 1961) would issue, in consideration of the Demerger, shares to the shareholders of the Demerged Company Bon a proportionate basis.

e) Shareholders holding at least 75% value of shares of the Demerged Company Bwould become the shareholders of the Resultant CompanyB(AIL), by virtue of the Demerger, otherwise than as a result of the acquisition of the property or assets of the Demerged Company Bor any business thereof by the Demerged CompanyB; and

f) The transfer of the MFT Business of the Demerged Company B would be on a going concern basis.

5.2.4 As a consideration, Resultant Company B (AIL) will issue equity shares to the shareholders holding 49.51% of the Demerged Company B (i.e. other than Aarti Corporate Services Limited).

For AARTI INDUSTRIES LTD.

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Raj Sarraf
Company Secretary
ICSI M. No. A15526

5.2.5 MFT Business, as defined in the Scheme and Statement of Assets & Liabilities of the HPC Business as on the Appointed Date, as certified by the Management,isreproduced in Annexure I B to this report.

6. VALUATION APPROACH

6.1 For the purpose of valuation, generally the following approaches are adopted:

(a) the "Underlying Asset" approach;

(b) the "Income" approach; and

(c) the "Market Price" approach.

6.2 UNDERLYING ASSET APPROACH

6.2.1 The Underlying Asset Approach represents the value of the business, with reference to historical cost of assets owned and the attached liabilities on the valuation date.

6.2.2 The method of calculation of the share value, after ascertaining the net asset value on the basis of the book value, is generallyconsidered as one of the accepted modes of valuation of shares. However, such value usually represents the support value of a going concern. The Underlying Asset approach represents the value; with reference to the historical cost of the assets owned by the Company and attached liabilities as at the valuation date. Under this method, the value is determined by dividing the net assets of the company by the number of shares.

6.2.3 Since the shares are valued on a "going concern" basis and an actual realization of the operating assets is not contemplated, we have considered it appropriate not to determine the realizable or replacement value of the assets. The operating assets have, therefore, been considered at their book values except for surplus assets, which have been considered at their fair values.

6.3 INCOMEAPPROACH

6.3.1 Under the Income Approach, either Price Earning Capitalization (PEC) methodor Discounted Cash Flow method can be followed.

6.3.2 Under the Price Earning Capitalization (PEC) method, the value of Company is determined by capitalizing the latest available earnings of the Business / Company by the relevant comparable company multiple.

For AARTI INDUSTRIES LTD.

N. M. RAIJI & CO. MUMBAI CHARTERED ACCOUNTANTS

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Raj Sarraf
Company Secretary
ICSI M. No. A15526

6.3.3 Under the Discounted Cash Flow method, the value of Company is determined by discounting the future cash flows of the Company by the weighted average cost of capital of the Company.

6.4 **MARKET PRICE APPROACH**

6.4.1 The market price of an equity share, 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 the shares.

7. VALUATION METHODOLOGIES

7.1 **For Demerger A–**

7.1.1 Since the Scheme provides an option to the shareholders of AIL to either subscribe to the equity shares or Redeemable Preference Shares (RPS), it necessitated calculation of the fair value of the equity shares and RPS (together hereinafter referred to as "**Securities**") to be issued by Resultant Company A. Thus, we have first arrived at the fair value of the HPC Business of AIL and thereafter the resultant fair value of the Securities.

7.1.2 Based on the historical profitability statements of the HPC Business given to us by the management of AIL, we understand that the HPC Business has not been making distributable profits inthe past and hence, we find it appropriate not to consider the "Income Approach". Moreover, sincethe HPC Business of AIL is not separately on any stock exchange, question of applying the Market Price Approach does not arise. As such, we have considered it appropriate to value the HPC Business using the Underlying Asset Approach.

7.1.3 The management of Resultant Company A is proposing to issue either:

a) 1 (One) equity share of INR 10/- each fully paid or

b) 1 (One) Redeemable Preference Share (RPS) of INR 10/- each fully paid

for every 10 (Ten) existing equity shares of AIL of INR 5/- each fully paid up. The management of the Companies, has proposed to provide an option to the shareholders of AIL, to be exercised by them, at their sole discretion to subscribe to RPS of Resultant Company A or equity shares of Resultant Company A, default option being equity shares.

For AARTI INDUSTRIES LTD.

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Raj Sarraf
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ICSI M. No. A15526

7.1.4 We understand from the management of ASL that, for the proposed Demerger A, the ratio of allotment of equity shares / preference shares in ASL is decided based on the management's desired capital structure of ASL.

7.1.5 In carrying out the valuation, we have relied upon the following:

a) Audited financial statements of AIL for the year endedMarch 31, 2016 , March 31, 2017 and March 31, 2018;

b) Management certified position of assets and liabilities of Home and Personal Case business of AIL as on March 31, 2018; and

c) Historical Profitability Statement of HPC Business of AIL

7.1.6 Based on the above, the Net Asset Value of HPC Business comes to INR 1,363.6 million and the fair value per security comes to INR 167.7.

Approach	HPC Business of AIL	Value (Rs. in million)	Weight	Weighted Value
Asset Approach	NAV	1,363.6	100.0%	1,363.6
Income Approach	Earning Capitalization	NA	0.0%	NA
Market Price Approach	Market Price	NA	0.0%	NA
	Equity Value (Rs. in million)			**1,363.6**
	No. of securities (in million)			8.13
	Value per security (INR)			**167.7**

7.1.7 The terms of redeemable preference shares as suggested by the management of the Companiesis as follows:

a) Dividend Rate on RPS – NIL

b) Face Value – Rs. 10 each

c) Issuance - Issue price of Rs. 167.70 (including a premium of Rs. 157.70)

d) Tenure of RPS - 7 Years i.e. 84 (Eighty-Four) months

e) Redemption Terms of RPS - RPS can be redeemed at any time after the date of allotment during the tenure at the option of Resultant Company A at a price that would give a 4% annualized return on the face value of Rs. 10/- and the premium.

f) Listing - RPS will be listed on the Stock Exchange where the equity shares of Demerged Company Aare listed i.e. the BSE and the NSE.

For AARTI INDUSTRIES LTD.

N. M. RAIJI & CO. MUMBAI CHARTERED ACCOUNTANTS

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Raj Sarraf
Company Secretary
ICSI M. No. A15526

7.2 **Demerger B –**

7.2.1 The MFT Business of NCIL is to be demerged into AIL on a 'going concern basis'. MFT Business of NCIL and AIL are into manufacturing activityand hence, the Underlying Asset approach does not capture the value of the Business. Considering this, we have thought it fit to ignore the Underlying Asset Approach.

7.2.2 Considering the above, and given the nature of business in which MFT Business and AIL is engaged, we have thought fit to use the "Income" approach for MFT Business & AIL and "Market Price" approach for AIL,for the valuation exercise for the Demerger B.

7.2.3 **Under the "Income Approach"**, we have used the PEC method.We have relied on the following information provided by the Management of AIL and NCIL:

a) Standalone audited financials of AIL, NCIL and standalone financials of MFT business for March 31, 2018;

b) Non recurring income and expenses for AIL and MFT Business of NCIL; and

c) We have arrived at the adjusted Profit after tax for AIL and Profit after tax for MFT Business of NCIL after making adjustments for non-recurring incomesand expenses.

d) To the best of our knowledge, there are no contingent liabilities which will adversely impact the valuation of AIL and MFT Business of NCIL.

e) For the valuation of AIL, using the PEC method, we first arrived at the PE multiple of AIL itself. For the same, we first calculated the simple average of daily volume weighted average price from May 14, 2018 to June 27, 2018. Since, the results of AIL were declared on May 11, 2018 to the stock exchanges, we have considered the share price from the date of May 14, 2018, the next trading day after the date of declaration of the results. The simple average price of INR 1,236.8 so arrived was used to arrive at the Equity value of AIL. The equity value so determined was divided by the consolidated profit after tax for FY18 to arrive at the PE multiple of 30.5.

f) We have also arrived at the industry Price Earning (PE) multiple based on comparable companies in the chemical and pharmaceutical business to compare it with the PE multiple of AIL arrived above.

g) The average industry PE multiple for comparable companies comes to 25.5 compared to the PE multiple of AIL of 30.5.

For AARTI INDUSTRIES LTD.

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Raj Sarraf
Company Secretary
ICSI M. No. A15526

h) Since, AIL is trading at premium compared to the other listed comparable companies, we have deemed it fit to consider the PE multiple of AIL itself to arrive the equity value of AIL.

i) Based on the above, we have multiplied the PE multiple of 30.5 to the consolidated profit after tax of INR 3,300.2 million to arrive at the equity value of INR 100,548.0 million.

j) In the case of MFT Business of NCIL, we have arrived at the industry average PE multiple of 20.2. The said multiple of 20.2has been discounted by 15% on account of the size difference, and the discounted PE multiple of 17.1was arrived at.

k) Based on the above, we have multiplied the PE multiple of 17.1 to the adjusted profit after tax of INR 65.6 million to arrive at the equity value of INR 1,123.8 million for the MFT Business of NCIL.

7.2.4 **Under the "Market Price Approach"**

a) Since the equity shares of AILare listed on the BSE and NSE andthe shares arebeing 'frequently traded' (in terms of Regulation 71A of SEBI Issue of Capital and Disclosure requirements (ICDR) Regulations) on the NSE,we have followed the SEBI ICDR regulation 76(1) read with Circular No. CFD/DIL3/CIR/2017/21 dated 10.3.2017 and Circular No. CFD/DIL3/CIR/2017/26 dated 23.3.2017 and calculated the volume weighted average price of equity shares of AIL during the two weeks preceding the date of the board meeting being higher (at INR 1,238.4) and the volume weighted average price during the 26 weeks preceding the date of the board meeting (INR 1,192.3). The higher of the above two average price i.e INR 1,238.4 per share has been considered.

Note: Since the Board Meeting is held on June 28, 2018, we have considered the relevant date to beJune 27, 2018 in terms of Regulation 71 of SEBI ICDR regulation.

b) Since the equity shares of NCIL are not listed on any of the stock exchanges, the market price is not available for valuation of the MFT Business of NCIL.

c) Since the shares of NCIL are not listed on any stock exchange, the Market Price Method cannot be considered. Hence, we have considered it appropriate to use Earning Capitalization method only.

d) To arrive at the relative value of AIL, we considered it appropriate to give equal weights to the value determined as per Earning Capitalization method and the

For AARTI INDUSTRIES LTD.
Raj Sarraf
Company Secretary
ICSI M. No. A15526

N. M. RAIJI & CO. MUMBAI CHARTERED ACCOUNTANTS

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Market price method.However, we found that the resulting value of each equity share of AIL was less than the price arrived at pursuant to SEBI ICDR regulation 76(1) read with Circular No. CFD/DIL3/CIR/2017/21 dated 10.3.2017 and Circular No. CFD/DIL3/CIR/2017/26 dated 23.3.2017. Hence, value per equity share of INR 1,238.4 arrived as per Market price method, has been adopted as value of each equity share of AIL.

Approach	Aarti Industries Limited (AIL)	Value (Rs. in million)	Weight	Weighted Value
Asset Approach	NAV Method	13,788.0	0%	-
Income Approach	Earning Capitalization	1,00,548.0	0%	-
Market Price Approach	Market Price	1,00,678.9	100%	1,00,678.9
	Equity Value (Rs. in million)			**1,00,678.9**
	No. of equity shares (in million)			81.3
	Equity Value per share (Rs.)			**1,238.4**

Approach	MFT Business of Nascent Chemical Industries Limited	Value (Rs. in million)	Weight	Weighted Value
Asset Approach	NAV Method	111.2	0%	-
Income Approach	Earning Capitalization	1,123.8	100%	1,123.8
Market Price Approach	Market Price	NA	0%	NA
	Equity Value (Rs. in million)			**1,123.8**
	No. of equity shares (in million)			0.6
	Equity Value per share (Rs.)			**1,872.9**

Note: As mentioned earlier, we have not adopted the 'Underlying Asset' approach for NCIL & AIL, 'Income Approach' for AIL and 'Market' approach in the case of NCIL as its equity shares are not listed on any stock exchange. However, we have computed the equity value as per 'Underlying Asset' and 'Income Approach' for AIL &as per 'Underlying Asset' for MFT Business of NCIL for information purpose only,as required by BSE Limited vide their circular No. LIST/COMP/02/2017-18 dated May 29, 2017.

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For AARTI INDUSTRIES LTD.

Raj Sarraf
Company Secretary
ICSI M. No. A15526

8. RECOMMENDATION OF FAIR EXCHANGE RATIO

8.1 The fair basis of demerger of an undertaking can be determined only after taking into consideration all the factors and methodologies mentioned hereinabove. Though different values have been arrived atunder each of the above approaches, for the purposes of recommending a share entitlementratio, it is necessary to arrive at a single value for the shares of each Company / Undertaking. It is, however, important to note that in doing so, we are not attempting to arrive at the absolute values of the shares of each company. Our exercise is to work out the relative value of shares of the Companies to facilitate the determination of an entitlementratio.

8.2 In the ultimate analysis, valuation will have to involve the exercise of judicious discretion and judgment, taking into account all the relevant factors. There will always be several factors, e.g., present and prospective competition, yield on comparable securities and market sentiments, etc., which are not evident from the face of the balance sheet, but which will strongly influence the worth of the share.

8.3 In the light of the above, and on a consideration of all the relevant factors and circumstances as discussed and outlined hereinabove, in our opinion, the following is the fair share entitlement ratiofor:

Demerger A –

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 "HPC Business" 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 proportion (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 167.7.

Valuation Approach	HPC Business of AIL	
	Value per Share (INR)	Weights
Asset Approach	167.7	1
Income Approach	Not Applicable	0
Market Approach	Not Applicable	0
Relative Value per Share	**167.7**	

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Demerger B –

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

Valuation Approach	AIL		MFT Business of NCIL	
	Value per Share (INR)	Weights	Value per Share (INR)	Weights
Asset Approach	169.6	0	185.3	0
Income Approach	1,236.8	0	1,872.9	1
Market Approach	1,238.4	1	Not Applicable	0
Relative Value per Share	**1,238.4**		**1,872.9**	
Share Entitlement Ratio	1.51			

For N. M. Raiji& Co.
Chartered Accountants
Firm's Regn. No.: 108296W

N. M. RAIJI & CO. MUMBAI CHARTERED ACCOUNTANTS

(Vinay D. Balse)
Partner
Membership No.: 39434

Place: Mumbai

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Raj Sarraf
Company Secretary
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Annexure 1 A

"Home and Personal Care Undertaking" shall mean the business and undertaking of Demerged Company A relating to its surfactant/home and personal care operations, operating as a going concern and includes (without limitation) the following:

(a) All the assets and properties as on the Appointed Date in the Demerged Company A (hereinafter referred to as "the said assets") pertaining to the Home and Personal Care Undertaking;

(b) All the debts, liabilities, duties and obligations including contingent liabilities pertaining to the Home and Personal Care Undertaking;

(c) Without prejudice to the generality of above, the Home and Personal Care Undertaking shall include rights over land, buildings, the movable properties covering plant and machinery, equipment, furniture, fixtures, vehicles, leasehold assets and other properties, real, corporeal and incorporeal, in possession or reversion, present and contingent assets (whether tangible or intangible) of whatsoever nature, assets including cash in hand, bank balance, investments but other than those forming part of Remaining Undertaking A, claims, powers, authorities, allotments, approvals, consents, letters of intent, registrations, licenses, contracts, agreements, engagements, arrangements, rights, credits, titles, interests, benefits, advantages, leasehold rights, sub-letting tenancy rights, with or without the consent of the landlord as may be required, goodwill, other intangibles, permits, authorisations, trademarks, trade names, labels, brands, patents, patent rights, copyrights, designs, and other industrial and intellectual properties and rights of any nature whatsoever including labels, designs, know-how, domain names, or any applications for the above, assignments and grants in respect thereof, import quotas and other quota rights, right to use and avail of telephones, telex, facsimile and other communication facilities, connections, installations and equipment, utilities, electricity and electronic and all other services of every kind, nature and description whatsoever, provisions, funds, and benefits of all agreements, arrangements, deposits, advances, recoverables and receivables, whether from government, semi-government, local authorities or any other person including customers, contractors or other counter parties, etc., all earnest monies and/or deposits, privileges, liberties, easements, advantages, benefits, exemptions permissions, and approvals of whatsoever nature (including but not limited to benefits of tax relief including under the Income-tax Act, 1961 such as credit for advance tax, taxes deducted at source, minimum alternate tax etc., unutilised deposits or credits, benefits under the VAT/ Sales Tax law, VAT/ sales tax set off, GST, unutilised deposits or credits, benefits of any unutilised MODVAT/CENVAT/Service tax credits, GST input credits etc.) and wheresoever situate, belonging to or in the ownership, power or possession or control of or vested in or granted in favour of or enjoyed by the Home and Personal Care Undertaking;

(d) all permanent employees engaged in or in relation to the Home and Personal Care Undertaking as on the Effective Date; and

(e) all records, files, papers, engineering and process information, computer programs, computer softwares, manuals, data catalogues, quotations, sales and advertising materials, list of present and former customers and suppliers, customers credit information, customers pricing information and other records, whether in physical form or electronic form in connection with or relating to the Home and Personal Care Undertaking.

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FOR AARTI INDUSTRIES LTD.

Raj Sarraf
Company Secretary
ICSI M. No. A15526

Statement of Assets & Liabilities of the Home and Personal CareUndertaking as on the Appointed Date as certified by the Management

Currency - INR in millions	
Fixed Assets	1,228.9
Net block of fixed assets (NFA)	**1,228.9**
Other Non-current assets	-
Total Fixed Assets	**1,228.9**
Current Assets	
Cash and bank balances	-
Investments	248.8
Consumer Receivables	350.9
Inventory:	
Raw Materials	334.9
Finished goods	149.5
Other consumables and spares	14.0
Advance Payment of Taxes	-
MAT Credit	-
Other current assets	212.7
Total current assets	**1,310.9**
Current liabilities & provisions	
Trade Payables	567.5
Short Term Provisions	-
Total current liabilities & provisions	**567.5**
Net current assets (NCA)	**743.4**
Short Term borrowings	608.7
Net worth	**1,363.6**

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Company Secretary
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Annexure 1 B

"Manufacturing Undertaking" shall mean the business and undertaking of Demerged Company B relating to chemical manufacturing of Demerged Company B, operating as a going concern and includes (without limitation) the following:

(a) All the assets and properties as on the Appointed Date in the Demerged Company B (hereinafter referred to as "the said assets") pertaining to the Manufacturing Undertaking;

(b) All the debts, liabilities, duties and obligations including contingent liabilities pertaining to the Manufacturing Undertaking;

(c) Without prejudice to the generality of above, the Manufacturing Undertaking shall include rights over land, buildings, the movable properties covering plant and machinery, equipment, furniture, fixtures, vehicles, leasehold assets and other properties, real, corporeal and incorporeal, in possession or reversion, present and contingent assets (whether tangible or intangible) of whatsoever nature, assets including cash in hand, bank balance, investments but other than those forming part of Remaining Undertaking B, claims, powers, authorities, allotments, approvals, consents, letters of intent, registrations, licenses, contracts, agreements, engagements, arrangements, rights, credits, titles, interests, benefits, advantages, leasehold rights, sub-letting tenancy rights, with or without the consent of the landlord as may be required, goodwill, other intangibles, permits, authorisations, trademarks, trade names, labels, brands, patents, patent rights, copyrights, designs, and other industrial and intellectual properties and rights of any nature whatsoever including labels, designs, know-how, domain names, or any applications for the above, assignments and grants in respect thereof, import quotas and other quota rights, right to use and avail of telephones, telex, facsimile and other communication facilities, connections, installations and equipment, utilities, electricity and electronic and all other services of every kind, nature and description whatsoever, provisions, funds, and benefits of all agreements, arrangements, deposits, advances, recoverables and receivables, whether from government, semi-government, local authorities or any other person including customers, contractors or other counter parties, etc., all earnest monies and/or deposits, privileges, liberties, easements, advantages, benefits, exemptions permissions, and approvals of whatsoever nature (including but not limited to benefits of tax relief including under the Income-tax Act, 1961 such as credit for advance tax, taxes deducted at source, minimum alternate tax etc., unutilised deposits or credits, benefits under the VAT/ Sales Tax law, VAT/ sales tax set off, GST, unutilised deposits or credits, benefits of any unutilised MODVAT/CENVAT/Service tax credits, GST input credits etc.) and wheresoever situate, belonging to or in the ownership, power or possession or control of or vested in or granted in favour of or enjoyed by the Manufacturing Undertaking;

(d) all permanent employees engaged in or in relation to the Manufacturing Undertaking as on the Effective Date; and

(e) all records, files, papers, engineering and process information, computer programs, computer softwares, manuals, data catalogues, quotations, sales and advertising materials, list of present and former customers and suppliers, customers credit information, customers pricing information and other records, whether in physical form or electronic form in connection with or relating to the Manufacturing Undertaking.

For AARTI INDUSTRIES LTD.

N. M. RAIJI & CO. MUMBAI CHARTERED ACCOUNTANTS

Raj Sarraf
Company Secretary
ICSI M. No. A15526

Statement of Assets & Liabilities of the Manufacturing Undertaking as on the Appointed Date as certified by the Management

Currency - INR in millions	
Fixed Assets	30.2
Capital Work in Progress	-
Net block of fixed assets (NFA)	**30.2**
Other Non-current assets	5.8
Total Fixed Assets	**36.0**
Current Assets	
Trade receivables	70.5
Cash and bank balances	17.1
Other Current Financial Assets	1.8
Other current assets	0.7
Total current assets	**90.1**
Current liabilities & provisions	
Trade Payables	0.4
Other Current Liabilities	3.7
Short Term Provisions	7.0
Total current liabilities & provisions	**11.1**
Net current assets (NCA)	**79.0**
Long term borrowings	-
Deferred Tax Liabilities	3.8
Net worth	**111.2**

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