Fairness Opinion Report

On

Valuation & Fair Share Exchange Ratio

under

Scheme of Amalgamation of

SPS PROCESSORS PRIVATE LIMITED

(Transferor Companies)

With

BODAL CHEMICALS LIMITED

(Transferee Company)

And Their Respective Shareholders

(UNDER SECTION 230 to 232 OF COMPANIES ACT, 2013)

Dated: October 29, 2021

The information contained herein is of a confidential nature and is intended for the exclusive use of the persons for whom it was prepared.

PREPARED BY

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1. Background

Bodal Chemicals Limited ("BCL" or "Transferee Company") is a company incorporated under the Companies Act, 1956 ("Companies Act" or "the Act") as Private limited companies with the name Dintex Dyechem Private Limited having its registered office at Plot No123/124, Phase I, GIDC, Vatva, Ahmedabad, Gujarat, 382445. The Corporate Identification Number of BCL is L24110GJ1986PLC009003.

BCL is widely held listed company. The shares of BCL are listed on Bombay Stock Exchange and National Stock Exchange. The shares of the company are listed at Bombay Stock Exchange (BSE) vide stock code 524370 and at National Stock Exchange (NSE) vide Symbol BODALCHEM.

The Company is inter alia engaged in the manufacturing as well as trading in all kinds of dyestuffs, dyes intermediates and basic and other chemicals etc; Company is also engaged in export and import of all such products.

SPS Processors Private Limited ("SPS" or "Transferor Company") is a private limited company incorporated under the provisions of Companies Act, 1956 having its registered office at P-100, Lane No. 6, Shankar Nagar Extension, Delhi-110051. The Corporate Identification Number of SPS is U24100DL2002PTC115883.

The Company is presently engaged in the manufacturing as well as trading of dye intermediates mainly H acid and vinly sulphone etc.

As stated in the Draft Scheme of Arrangement provided by the Transferee Company and the representations provided by the respective companies, The Transferee Company is the holding company of the Transferor Company holding 70% of the share capital and the Transferor Company is engaged in the same line of business field of manufacturing as well as trading in dyestuffs, dyes intermediates and basic and other chemicals etc. and is also engaged in export and import of all such products.

In order to give effect to the desired objective of amalgamation, the directors of BCL and Transferor Company decided to amalgamate Transferor Company with BCL through a scheme of amalgamation pursuant to Sections 230 to 232 of the Companies Act 2013. As enumerated in the draft scheme of amalgamation provided to us, BCL is expecting following significant benefits through the scheme of amalgamation.

1. The proposed amalgamation will offer an immense opportunity to consolidate the portfolio of brands and products that are relevant to the "chemical industry" under a single roof;

2. The proposed amalgamation will enable the merged entity to cater to the needs of entire value chain. This can have a better reach in terms of various customer base and will provide a stronger market position to the company;

3. The proposed amalgamation will result in operational synergies and efficiency for the merged entity. Accordingly, the Scheme would strengthen and complement the businesses of the Companies;

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4. The Scheme would help in achieving synergies in business operations and streamlining the business activities for the Companies, combining the following activities which would result in significant growth in business: –

material procurement and storage;

FG storage and dispatches;

Internal movement of materials;

Sharing of common utilities;

Re-distribution of marketing portfolios thereby reducing marketing and travelling costs;

5. The Amalgamation of Transferor Company with the Transferee Company will result into enlarged combined assets base and will also provide an opportunity for the merged entity to leverage on such assets;

6. Greater integration and greater financial strength and flexibility for the Transferee Company, which would result in maximizing overall shareholders value, and will improve the competitive position of the merged entity;

7. The proposed amalgamation would help in enhancing the scale of operations, reduction in overheads, including administrative, statutory compliances, managerial and other expenditure, operational rationalization, organizational efficiency, and optimal utilization of resources by avoiding duplication of efforts; and

8. Taking into consideration the above synergies, the merged entity would result in better profitability and EBITDA margins, Accordingly, the stronger financials will provide a better opportunity in terms of better trade credits, financial resources and in negotiations for prices and suppliers credit terms for the merged entity.

Towards this purpose, the Board of Directors of BCL have provided us with a certified copy of the Draft Scheme of Amalgamation between Transferor Company and Transferee Company which is considered and approved at their board meeting held on 29th October, 2021.The proposed scheme of amalgamation will also be placed at the meeting of the Board of Directors of the SPS.

2. Reference & Context

As the equity shares of BCL are listed on BSE and NSE it is bound by the Regulation 37 of SEBI (Listing Obligation & Disclosure Requirement) Regulations 2014 and the provisions thereof as amended from time to time.

We are a SEBI registered Category I merchant bankerand we have applied ourselves towards formation and expression of the opinion on the valuation of Shares done by the Valuer Mr. PinakinShah, Registered valuer, registered with IBBI having Registration Number – IBBI/RV/05/2019/10728 ("valuer") dated October 29, 2021 in relation to this proposed scheme of amalgamation.

This Fairness Opinion is issued pursuant to terms of Engagement between TCSPL and BCL.

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3. Proposed Transaction

BCL proposes the amalgamation of SPS into BCL. The proposed structure is as per the draft scheme of amalgamation provided to us by BCL.

As per the scheme, all the shares held by the Transferee Company in the Transferor Companies, shall be cancelled and against the remaining shares, equity shares, would be issued to the shareholders (other than shares held by the Transferee Company) of the Transferor Companies, in accordance with the share exchange ratio as certified by the Valuer. Transferee Company, without further application, act or deed, shall issue and allot to each of the shareholders of "Transferor Companies" (other than the shares already held therein immediately before the amalgamation by Transferee Company, its Nominee or Subsidiary Company).

4. Engagement

We, Tipsons Consultancy Services Private Limited., have been appointed to issue a fairness opinion in terms of sub Para 8(b) of Para I(A) of Annexure I of the SEBI Circular No. CIR/CFD/CMD/16/2015 dated November 30, 2015, SEBI Circular no. CFD/DIL3/CIR/2017/21 dated March 10, 2017 and SEBI Circular no. CFD/DIL3/CIR/2017/26 dated March 23, 2017, read with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 on valuation of shares done by an Independent Valuer for the Transferor Company and Transferee Company pursuant to proposed scheme of amalgamation.

SEBI Circular no. CFD/DIL3/CIR/2017/21 dated March 10, 2017 provides that provisions of chapter V of SEBI (ICDR) Regulations 2018 shall be followed in case of issuance of shares to a select group of shareholders or shareholders of unlisted companies pursuant to scheme of arrangement. SEBI Circular no. CFD/DIL3/CIR/2017/26 dated March 23, 2017 specifies the "relevant date" for the purpose of computing pricing shall be the date of Board meeting in which the draft Scheme is approved.

This Fairness Opinion is expressed solely with reference to requirements under aforementioned purpose; and scope of this assignment is restricted to opine about fairness of valuation already done by the valuer in relation to the proposed amalgamation transaction.

This opinion does not in any way constitute a recommendation by TCSPL to any Shareholder as to whether such shareholder should approve or reject the proposed transaction, in cases where voting by public shareholders is warranted. We urge you to read this Fairness Opinion carefully and entirely.

We have been engaged by BCL to issue a Fairness Opinion and will receive a fixed fee for rendering this Fairness Opinion, which is independent of the happening or otherwise of the proposed transaction.

This Fairness Opinion may be reproduced in the explanatory statement sent to the shareholders along with the notice of general meeting / postal ballot form, conducted to get approval for the proposed transaction, so long as the form of reproduction of the Fairness Opinion in such report and any description of or reference in such report to TCSPL, is in a form acceptable to us.

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The opinion is issued at the request of the Board of Directors of the Transferee Company who have engaged us and we owe the contractual responsibility to them and nobody else. The opinion expressed in this report is non-binding and no claim of loss, damages, or liabilities arising out of acts of commission or omission done by third parties in relation to this transaction will lie against us.

There is no liability to any third party in relation to issuance of this Opinion and we shall not be answerable to any such third party. The Opinion when submitted to the Company will come under the ownership of the Company and the Company can use it only for the purposes for which it is issued. The permitted usage and sharing including the manner and mode of sharing of this Opinion will be strictly as permitted by the governing regulatory requirement. No selective sharing of this Opinion to any interested party whether or not a shareholder will be permitted unless an express regulatory order in this behalf is furnished.

The Company has agreed to furnish a certified copy of the Board approved scheme of amalgamation and also notify us in case of any modifications carried out in the proposed scheme already furnished to us.

Our current opinion is based on the assumption that the proposed scheme of amalgamation shared with us will be adopted by all the companies involved in transaction as such.

5. Basis of forming Opinion

5.1 Documents and Information Considered

For the purpose of providing our opinion, we have reviewed:

1. Audited financial statement of BCL for the year ended 31 March 2020& 31 March 2021.

2. Audited Financial Statement of SPS for the year ended 31 March 2020. Unaudited provisional financial statement of SPS for the year ended 31 March 2021.

3. Latest Shareholding pattern of BCL and SPS as at valuation date.

4.Financial Projection of SPS from FY ended 2022 to FY ended 2026 ("Management Projection") which represent management's estimate of the future financial performance of SPS.

5. Copy of the proposed Draft Scheme of Amalgamation.

6. Certified copy of the valuation report of the Valuer Mr. Pinakin Shah, Registered Valuer, registered with IBBI having Registration Number – IBBI/RV/05/2019/10728, dated October 29, 2021 on the valuation for the proposed scheme.

7..Pre-amalgamation shareholding pattern of Transferor Companies.

8. Pre and Post amalgamation shareholding pattern of the Transferee Company.

9.. Performed such other financial reviews and analyses as TCSPL, in its absolute discretion, deemed appropriate.

5.2 Assumptions and Limiting Conditions

TCSPL has been engaged to provide standard services for the issuance of the Fairness Opinion and therefore have not performed any due diligence or audit of the information provided to us, nor have we made any independent valuation or appraisal of the assets or liabilities.

TCSPL has assumed and relied upon the truth, accuracy and completeness of the information, data and financial terms provided to us or used by us, in written or verbal form, and has assumed that the same are not misleading and does not assume or accept any liability or responsibility for any independent verification or checking of such information or any independent valuation or appraisal of any of the assets, operations or liabilities of SPS or the Transferor Companies.

With respect to the financial valuation, TCSPL has assumed that they have been reasonably prepared on bases reflecting the best available estimates and judgments of the management of the Company at that time and carefully considered by the Valuer, and that no event subsequent to this and undisclosed to TCSPL has had a material effect on them. TCSPL does not assume or accept liability or responsibility for (and expresses no view as to) the assumptions on which they are based.

In preparing this opinion, TCSPL has received specific confirmation from management of BCL that all the information the Company has provided to TCSPL in relation to the engagement of TCSPL is correct and complete and no information has been withheld that could have influenced the purpose of this Fairness Opinion. This opinion is also subject to various assumptions in collection, usage and application of information applied by the Valuer. The Opinion is also subject to various undertakings, confirmations given by the Company to the Valuerand the same shall be deemed to be extended for this Opinion also.

TCSPL's opinion is necessarily based on financial, economic, monetary, market and other conditions as in effect on, and the information made available to TCSPL or used by it up to, the date hereof. This opinion exclusively focuses on the fairness, from a valuation point of view, of the shares done by the valuer and does not address any other issues such as the underlying business decision to recommend the transaction or its commercial merits, which are matters solely for the Boards of Directors of BCL and the Transferor Company to address and further to be confirmed by the shareholders of both the companies, as may be required.

TCSPL's formation of fairness opinion is based on information supplied by BCL, its reprenstatives/consultants both in written and verbal form, representations and confirmations of its management on various issues and we have relied upon them as such without any independent verification and as such we do not hold ourselves liable if our opinion becomes flawed as a result of any shortcomings in such information, representations and confirmations given by BCL.

In rendering this opinion, TCSPL has not provided legal, regulatory, tax, accounting or actuarial advice and accordingly TCSPLdoes not assume any responsibility or liability in respect thereof. Furthermore TCSPL has assumed that the proposed transaction will be consummated on the terms and conditions as set out in the proposed Scheme of Amalgamation, without any material changes to, or waiver of, its terms or conditions.

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6. Valuation Approaches and their Review

6.1. Overview

The formation of a fairness opinion is a complex process involving careful consideration and review of valuation methods, associated financial and other analyses, performed by the valuer. The selection and application of any or all of the generally accepted and commonly applied valuation methods to a particular circumstance is the discretion of the valuer, and hence, in arriving at its opinion, TCSPL has made a qualitative assessment of the appropriateness of the method and subsequent application. Accordingly, TCSPL believes that its analysis must be considered in its entirety and not based on any individual element or elements or without considering all associated narratives or descriptions of the analyses which could create a misleading or incomplete view of the comprehensive nature of the processes underlying its analyses and opinion.

6.2 Valuation

TCSPL has reviewed the method of valuation adopted by the valuer. The report states that In case of amalgamation of Transferor Company with the Transferee Company, all the shares held by the Transferee Company in the Transferor Company, shall be cancelled and against the remaining shares, equity shares, would be issued to the shareholders (other than shares held by the Transferee Company) of the Transferor Company, in accordance with the following share exchange ratio;

While, 61 Equity shares of face value of Re.2/- (Face Vale Rupees Two) each in BCL / Transferee Company for every 1 Equity shares of Rs. 100/- (Face Value Rupees One Hundred) each held in SPS/ Transferor Company.

Valuer has valued the Transferee Company's shares on Market Price Method considering October 29, 2021 as relevant date in accordance with SEBI Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017, Circular No. CFD/DIL3/CIR/2017/26 dated March 23, 2017, and SEBI (Issue of Capital and Disclosure Requirements) Regulations as per the data available on BSE Limited.

BCL and SPS presently operating as going concern. BCL is generating profits while SPS is expected to earn profits and generate positive cash flow in foreseeable future. NAV does not considered the future profit/cash generating capability of any business and hence Valuer has not used NAV method in any company. The Valuer was provided with the future financial projections of SPS and Valuer have valued SPS as per DCF methodology. BCL is a publically listed company with both BSE and NSE and its shares are actively traded in both the stock exchanges i.e. NSE & BSE. The Valuer has considered Market Price Method and has given 100% weightage to it. The Valuer has also considered Income Approach for BCL and has arrived value under Capitalisation of Earning Method But has given 0% (Zero) weightage to it in view of declining trend of PAT in previous two years in view of COVID-19.

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6.3 Analysis of the Valuation

In the role of merchant banker giving an opinion about fairness of the valuation (mentioned above) done by the valuer, we had to examine whether the basis of arriving at the above value and the valuation conclusion was fair. In the instant case, we performed certain procedures and made certain enquiries with the management of BCL. Some of the procedures / activities performed and the findings are mentioned below:

- Noted that the scheme involves amalgamation of one unlisted company namely SPS with one listed company namely BCL.
- Noted that amalgamation of Transferor Company with the Transferee Company, all the shares held by the Transferee Company in the Transferor Company, shall be cancelled and against the remaining shares, equity shares, would be issued to the shareholders (other than shares held by the Transferee Company) of the Transferor Company, in accordance with the following share exchange ratio.

  "61 Equity shares of face value of Re.2/- (Face Vale Rupees Two) each in BCL / Transferee Company for every 1 Equity shares of Rs. 100/- (Face Value Rupees One Hundred) each held in SPS/ Transferor Company."

- Noted that this report (Valuation Report) is prepared based on the concept of Going Concern which assumes that enterprise shall continue to operate and run its business for long.
- Noted that Valuer have considered and adopted the International Valuation Standard (IVS) published by The International Valuation Standard Council (IVSC), which is the independent global standard setter for the valuation profession.
- The valuation methodology adopted for valuing BCL is in accordance with SEBI Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017, Circular No. CFD/DIL3/CIR/2017/26 dated March 23, 2017, and SEBI (Issue of Capital and Disclosure Requirements) Regulations. Since the shares of BCL are publicly and frequently traded, it seems fair. Noted that the future financial projections of SPS were available and the Valuer has valued SPS as per DCF methodology.

7. Opinion

- Based upon and subject to the foregoing, we are of the opinion on the date hereof, that the valuation done by the Valuer for the proposed scheme of amalgamation in accordance with the following share exchange ratio is FAIR.

  "61 Equity shares of face value of Re.2/- (Face Vale Rupees Two) each in BCL / Transferee Company for every 1 Equity shares of Rs. 100/- (Face Value Rupees One Hundred) each held in SPS/ Transferor Company."

For Tipsons Consultancy Services Private Limited

TIPSONS CONSULTANCY SERVICES PVT. LTD.

Jitendra Shah
Managing Director

Date : October 29, 2021
Place: Ahmedabad