Date: 09 May 2020

To,

The Board of Directors,
Blue Circle Organics Private Limited,
34, Empire Building, 1st Floor,
D N Road, 146 Fort,
Mumbai – 400001

The Board of Directors,
Jet Chemicals Private Limited,
3/2, Milestone Kalyan, Murbad Road,
Village Vapar, Shahad,
Thane – 421103

Subject: Recommendation of fair share exchange ratio for the proposed amalgamation of Blue Circle Organics Private Limited ('BCPL') with Jet Chemicals Private Limited ('JCPL').

Dear Sir/ Madam,

We refer to the engagement letter and discussion undertaken with the Management of Blue Circle Organics Private Limited and Jet Chemicals Private Limited (hereinafter together referred to as 'the Management'), wherein the Management has requested Niranjan Kumar, Registered Valuer - Securities and Financial Assets ('NK', 'we' or 'us') to undertake a valuation exercise and recommend a fair share exchange ratio for the proposed amalgamation of Blue Circle Organics Private Limited ('BCPL' or the 'Transferor Company') with Jet Chemicals Private Limited ('JCPL' or the 'Transferee Company').

Hereinafter, the aforesaid proposed transaction shall be referred to as the 'proposed amalgamation', the Management including the Board of Directors of transferor company and transferee company, together, shall be referred to as 'Management'; and the transferor company and transferee company shall be referred to as 'Companies'.

Please find enclosed the report (comprising 30 pages including annexures) detailing our recommendation of fair share exchange ratio for the proposed amalgamation, methodologies employed, and the assumptions used in our analysis.

This report sets out our scope of work, background, procedures performed by us, source of information and our recommendation on the fair share exchange ratio.

BACKGROUND, SCOPE AND PURPOSE OF THIS REPORT

Blue Circle Organics Private Limited ('BCPL' or 'transferor company') was incorporated on 07 April 2003 and is engaged in the business of manufacturing of active pharmaceutical ingredients (APIs), X-Ray contrast media products, pharmaceutical intermediates, pharmaceutical excipients, specialty chemicals such as saccharin and its salts.

Jet Chemicals Private Limited ('JCPL' or 'transferee company') was incorporated on 07 December 1968 and is engaged in the business of manufacturing specialty chemicals such as saccharin and its salts, X-Ray contrast media intermediates along with custom synthesis and toll manufacturing.

The Management of BCPL ('transferor company') and JCPL ('transferee company') (hereinafter together referred to as 'the Management') are contemplating a restructuring proposal wherein they intend to amalgamate the transferor Company with the transferee company pursuant to the provisions of Section 230 to 232 and other applicable provisions of the Companies Act, 2013 or any statutory modifications, re-enactment or amendments thereof for the time being in force ("the Act") read with the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016 ("the Rules"), as amended from time to time and all other applicable provisions, if any, of the Act and any other applicable law for the time being in force and in the manner provided in the Scheme of Amalgamation ('Proposed Amalgamation' or 'Proposed Transaction'). As per the scheme of amalgamation, the equity shareholders and preference shareholders of BCPL shall receive equity shares and preference shares respectively of JCPL in the share exchange ratio determined by the Board of Directors on the basis of share exchange ratio report prepared by a Registered Valuer as required under the applicable provisions of the Companies Act, 2013.

In connection with the above-mentioned proposed amalgamation, the Management has appointed Niranjan Kumar, Registered Valuer - Securities and Financial Assets ('NK') to submit a report recommending a fair share exchange ratio for the proposed amalgamation.

We understand that the proposed appointed date for the amalgamation is 01 April 2019 or any other date as maybe approved by the competent authority. We have carried out our valuation analysis to determine the fair share exchange ratio as at the report date ('Valuation Date').

The scope of our service is to conduct a relative (and not absolute) valuation exercise as at the Valuation Date to determine the value of the companies using internationally accepted valuation methodologies as may be applicable to the subject companies being valued and arrive at a share exchange ratio and report on the same in accordance with generally accepted professional standards including ICAI Valuation Standards, 2018 issued by the Institute of Chartered Accountants of India (ICAI).

This report is our deliverable for the said engagement and is subject to the scope, assumptions, exclusions, limitations and disclaimers detailed hereinafter. As such, the report is to be read in totality and in conjunction with the relevant documents referred to therein.

NIRANJAN KUMAR
REGISTERED VALUER
SECURITIES & FINANCIAL ASSETS

COMPANY AND FINANCIAL OVERVIEW

Blue Circle Organics Private Limited ('BCPL' or 'transferor company')

BCPL is engaged in the business of manufacturing of APIs, intermediates and X-Ray contrast media products. API's and intermediates are used in the pharmaceutical industry for drug manufacturing. Contrast media products are used in the medical imaging industry to increase the contrast of structures or fluids in the body during x-rays, computed tomography (CT), magnetic resonance (MR) imaging and ultrasound. The Company has a manufacturing and research and development (R&D) facility at Ambernath. BCPL exports its products to various countries such as USA, Norway, Switzerland, UK, Portugal, Denmark, Sweden etc.

The manufacturing facility of BCPL is spread across an area of 3.5 lakh square feet with multiple manufacturing plants. Of the total area owned by the Company about 60% area of the area houses the current facility and ~ 40% of the land area is still available for future expansion. The existing facility complies with the cGMP requirements as per ICH Q7 guidelines. The plants are designed to accommodate multi-step synthesis of the advance intermediates and APIs. The facility handles many reactions such as nitration, oxidation, grignard reaction and various type of unit processes.

The R&D facility of BCPL is spread across an area of 10,000 square feet and carries out research activities in relation to chemical research and generic product development, analytical research and also contract research and custom synthesis services for its customers.

Snapshot of the unaudited provisional financial statements for eleven months period ended 29 February 2020 and audited financial statements for the financial year ended 31 March 2019 of BCPL is set out below:

Balance sheet as at

INR in Million

Particulars	29-Feb-20 Unaudited	31-Mar-19 Audited	31-Mar-18 Audited
Equity and liabilities			
Share capital	33.0	33.0	33.0
Reserves and surplus	1,852.4	574.1	395.4
Non current liabilities:			
Long-term borrowings	495.9	649.4	527.3
Other non current liabilities	31.0	36.0	3.1
Current liabilities:			
Short term borrowings	53.6	445.7	364.5
Trade payables	629.4	410.8	396.9
Other current liabilities	320.2	216.4	168.8
Total equity and liabilities	**3,415.4**	**2,365.4**	**1,888.9**
Assets			
Non current assets:			
Net fixed assets	976.6	1,075.4	800.9
Other non current assets	36.6	34.9	34.8
Current assets			
Inventories	397.8	363.0	192.7
Trade receivables	1,404.4	609.5	418.0
Cash and cash equivalents	427.7	76.5	73.5
Other current assets	172.3	206.1	369.1
Total Assets	**3,415.4**	**2,365.4**	**1,888.9**

Profit and loss for the period/ year ended

INR in Million

Particulars	29-Feb-20 Unaudited	31-Mar-19 Audited	31-Mar-18 Audited
Revenue from operations	4,709.0	2,394.0	1,797.5
Other operating income	95.0	8.2	2.5
Total revenue	**4,804.0**	**2,402.3**	**1,800.0**
% growth in revenue	*113.5%*	*33.5%*	*37.1%*
Less: Expenses			
Cost of goods sold	(1,813.8)	(1,169.0)	(950.4)
Indirect expenses	(1,067.4)	(764.1)	(596.4)
EBITDA	**1,922.8**	**469.2**	**253.3**
% of revenue	*40.0%*	*19.5%*	*14.1%*
Depreciation	(155.5)	(136.4)	(72.6)
EBIT	**1,767.3**	**332.8**	**180.7**
% of revenue	*36.8%*	*13.9%*	*10.0%*
Finance cost	(74.6)	(97.0)	(44.2)
EBT	**1,692.7**	**235.8**	**136.4**
Other income	26.0	30.1	5.6
PBT	**1,718.7**	**265.9**	**142.0**
Tax	(440.0)	(85.2)	(42.2)
PAT	**1,279.1**	**180.6**	**99.8**

NIRANJAN KUMAR REGISTERED VALUER

Jet Chemicals Private Limited ('JCPL' or 'transferee company')

JCPL is engaged in the manufacturing of specialty chemicals, X-Ray contrast media intermediates along with custom synthesis and toll manufacturing.

The manufacturing facility of JCPL is located in Suburban Mumbai and is spread across an area of 1.5 lakh square feet. The manufacturing facility is focused on manufacturing of advance intermediates and pharmaceutical excipients like saccharin and its salts.

Snapshot of the unaudited provisional financial statements for eleven months period ended 29 February 2020 and audited financial statements for the financial year ended 31 March 2019 of JCPL is set out below:

Balance sheet as at

INR in Million

Particulars	29-Feb-20 Unaudited	31-Mar-19 Audited	31-Mar-18 Audited
Equity and liabilities			
Share capital	6.0	6.0	6.0
Reserves and surplus	102.4	81.8	86.2
Non current liabilities:			
Long-term borrowings	47.0	65.5	49.1
Current liabilities:			
Trade payables	45.0	72.4	44.1
Other current liabilities	36.3	5.8	20.4
Total equity and liabilities	**236.8**	**231.5**	**205.8**
Assets			
Non current assets:			
Net fixed assets	46.3	43.1	36.8
Non-current investments	35.5	9.6	20.3
Other non current assets	3.2	3.7	3.0
Current assets			
Inventories	30.7	26.8	34.3
Trade receivables	87.7	95.7	82.3
Cash and cash equivalents	17.2	23.1	3.5
Other current assets	16.2	29.5	25.7
Total Assets	**236.8**	**231.5**	**205.8**

Profit and loss for the period/ year ended

INR in Million

Particulars	29-Feb-20 Unaudited	31-Mar-19 Audited	31-Mar-18 Audited
Revenue from operations	271.7	217.3	244.0
Total revenue	**271.7**	**217.3**	**244.0**
% growth in revenue	*36.4%*	*-10.9%*	*3.8%*
Less: Expenses			
Cost of goods sold	(106.5)	(112.2)	(103.9)
Indirect expenses	(137.0)	(107.9)	(123.0)
EBITDA	**28.2**	**(2.9)**	**17.1**
% of revenue	*10.4%*	*-1.3%*	*7.0%*
Depreciation	(7.9)	(8.4)	(10.1)
EBIT	**20.3**	**(11.3)**	**7.0**
% of revenue	*7.5%*	*-5.2%*	*2.9%*
Finance cost	(2.9)	(3.9)	(0.0)
EBT	**17.4**	**(15.2)**	**7.0**
Other income	3.3	10.4	2.2
PBT	**20.6**	**(4.8)**	**9.2**
Tax	(5.0)	0.7	(2.6)
PAT	**15.6**	**(4.2)**	**6.6**

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NIRANJAN KUMAR REGISTERED VALUER SECURITIES & FINANCIAL ASSETS

SHAREHOLDING PATTERN

Blue Circle Organics Private Limited ('BCPL' or 'transferor company')

a) Equity share capital

The equity shareholding pattern of the transferor Company as at the report date is set out below:

Name	Number of shares (Face value INR 10 each)	Percentage %
Akshay Bansarilal Arora	1,404,372	78.2%
Shiven Akshay Arora	220,129	12.2%
Archana Akshay Arora	100,000	5.6%
Jet Chemicals Private Limited	71,450	4.0%
Total	**1,795,951**	**100.0%**

b) Preference share capital

In addition to the above equity shares, the transferor company has issued 0.1% non-cumulative redeemable preference shares on 25 March 2014, the details of which are set out below:

Name	Number of shares (Face value INR 10 each)	Percentage %
Gautam Kumra	1,500,000	100.0%
Total	**1,500,000**	**100.0%**

The key terms of the above mentioned redeemable preference shares issued by the transferor company are set out below:

Particulars	
Type of security	0.1% Non-cumulative Redeemable Preference shares
Nature	Non-cumulative, redeemable preference shares
Face value	INR 10/- per share
Rate of dividend	0.1%
Redemption period	Redeemable at the end of fifteen years from the date of allotment, but may be redeemed at any time after 2 years from the date of allotment at the option of the Company.
Redemption price	INR 10/- per share (redeemable at par)

REGISTERED VALUER

Jet Chemicals Private Limited ('JCPL' or 'transferee company')

The equity shareholding pattern of the transferee company as at the report date is set out below:

Name	Number of shares (Face value INR 100 each)	Percentage %
Akshay Bansarilal Arora	30,420	50.4%
Shiven Akshay Arora	23,580	39.6%
Archana Akshay Arora	6,000	10.0%
Total	**60,000**	**100.0%**

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REGISTERED VALUER

SOURCES OF INFORMATION

In connection with preparation of this report, we have used and relied on the following sources of information:

A. Company specific information

Information provided by the Management which includes:

- Audited financial statements of BCPL and JCPL for the year ended 31 March 2019 ('FY19') and 31 March 2018 ('FY18');
- Unaudited provisional financial statements of BCPL and JCPL for the eleven months period ended 29 February 2020;
- Financial projections of BCPL and JCPL from FY20 to FY25 ('Management Projections') which represents Management's best estimate of the future financial performance of BCPL and JCPL;
- Audited financial statements of investee companies of BCPL and JCPL for the year ended 31 March 2019;
- Terms of redeemable preference shares issued by BCPL and outstanding as at the report date;
- Terms of redeemable preference shares proposed to be issued as a consideration for the proposed amalgamation to the preference shareholders of BCPL by JCPL including its dividend terms, duration, redemption terms and price;
- Shareholding pattern of BCPL and JCPL as at the report date;
- Draft scheme of amalgamation; and
- Discussions and correspondence with the Management in connection with the business operations, past trends, key developments, proposed future business plans and prospects etc.;

B. Industry and economy information:

- Information available in public domain and databases such as Moneycontrol, Capitaline, NSE, BSE etc.
- Such other information and documents as provided by the Management for the purposes of this engagement.

Besides the above listing, there may be other information provided by the Management which may not have been perused by us in detail, if not considered relevant for our defined scope.

We have also considered/ obtained such other analysis, review, explanations and information considered reasonably necessary for our exercise, from the Management.

REGISTERED VALUER

PROCEDURE ADOPTED

Procedures used in our analysis included such substantive steps as we considered necessary under the circumstances, including, but not necessarily limited to the following:

- Discussion with the Management to:
- – Understand the business and fundamental factors that affect the business of the entities including their earning generating capability.
- – Enquires about the historical financial performance, current state of affairs, business plans and the future performance estimates.

- Analysis of information shared by the Management.

- Reviewed the draft scheme of amalgamation.

- Reviewed the unaudited provisional financial statements for the eleven months period ended 29 February 2020 and audited financial statements for the financial year ended 31 March 2019 of BCPL and JCPL;

- Reviewed the cash flow projections provided by the Management for BCPL and JCPL including understanding basis of preparation and the underlying assumptions.

- Reviewed the terms of redeemable preference shares issued by BCPL and outstanding as at the report date.

- Reviewed the terms of redeemable preference shares proposed to be issued by JCPL as a consideration for the proposed amalgamation to the preference shareholders of BCPL including the dividend terms, duration, redemption terms and price;

- Selection of appropriate internationally accepted valuation methodology/ (ies) after deliberations and analysis of the business operations of the Companies;

- Arrived at valuations of the Companies using the method/(s) considered appropriate; and

- Arrived at the fair share exchange ratio for the proposed amalgamation of BCPL with JCPL.

REGISTERED VALUER SECURITIES & FINANCIAL ASSETS

SCOPE LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS AND DISCLAIMERS

Provision of valuation opinions and consideration of the issues described herein are areas of our regular practice. The services do not represent accounting, assurance, accounting/ tax due diligence, consulting or tax related services that may otherwise be provided by us.

This report, its contents and the results herein are specific and subject to:

i) the purpose of valuation agreed as per the terms of this engagement;
ii) the date of this report;
iii) are based on unaudited provisional financial statements for the eleven months period ended 29 February 2020 of BCPL and JCPL and no significant changes in net assets position between 29 February 2020 and the Valuation Date.
iv) realization of cash flow projections as provided by the Management for BCPL and JCPL;
v) shareholding pattern of BCPL and JCPL as at the report date; and
vi) data detailed in the section – Sources of Information.

A value analysis of this nature is necessarily based on the prevailing stock market, financial, economic and other conditions in general and industry trends in particular. It is based on information made available to us as of the date of this report, events occurring after that date hereof may affect this report and the assumptions used in preparing it, and we do not assume any obligation to update, revise or reaffirm this report.

The ultimate analysis will have to be tempered by the exercise of judicious discretion by the valuer and judgment taking into account the relevant factors. There will always be several factors e.g. Management capability, present and prospective yield on comparable securities, market sentiment etc., which are not evident on the face of the financial statements, but which will strongly influence the worth of a share.

The recommendation(s) rendered in this report only represent our recommendation(s) based upon information furnished by the Companies till the date of this report and other sources, and the said recommendation(s) shall be considered to be in the nature of non-binding advice (our recommendation should not be used for advising anybody to take buy or sell decision, for which specific opinion needs to be taken from expert advisors).

The determination of fair value is not a precise science and the conclusions arrived at in many cases, will, of necessity, be subjective and dependent on the exercise of individual judgment. There is, therefore, no indisputable single fair value. While we have provided our recommendation of the fair share exchange ratio based on the information available to us and within the scope and constraints of our engagement, others may have a different opinion.

In the course of our analysis, we were provided with both written and verbal information, including market, technical, financial and operating data including information as detailed in the section – Sources of Information by the Management.

In accordance with the terms of our engagement, we have assumed and relied upon, without independent verification of,

i) the accuracy of information made available to us by the Management, which formed a substantial basis for the report; and

ii) the accuracy of information that was publicly available;

We have not carried out a due diligence or audit or review of the Companies for the purpose of this engagement, nor have we independently investigated or otherwise verified the data provided.

We are not legal or regulatory advisors with respect to legal and regulatory matters for the transaction. We do not express any form of assurance that the financial information or other information as prepared and provided by the Management is accurate. Also, with respect to explanations and information sought from the advisors, we have been given to understand by the Management that they have not omitted any relevant and material factors and that they have checked the relevance or materiality of any specific information to the present exercise with us in case of any doubt.

Accordingly, we do not express any opinion or offer any form of assurance regarding its accuracy and completeness. Our conclusions are based on these assumptions and information given by/ on behalf of the Management. The Management have indicated to us that they have understood any omissions, inaccuracies or misstatements may materially affect our recommendation. Accordingly, we assume no responsibility for any errors in the information furnished by the Companies and their impact on the report. Also, we assume no responsibility for technical information (if any) furnished by the Management. However, nothing has come to our attention to indicate that the information provided was materially misstated/ incorrect or would not afford reasonable grounds upon which to base the report. We do not imply, and it should not be construed that we have verified any of the information provided to us, or that our inquiries could have verified any matter, which a more extensive examination might disclose.

The report assumes that the Companies comply fully with relevant laws and regulations applicable in all its areas of operations and that the Companies will be managed in a competent and responsible manner. Further, except as specifically stated to the contrary, this report has given no consideration on to matters of a legal nature, including issues of legal title and compliance with local laws and litigation and other contingent liabilities that are not represented to us by the Management.

This report does not look into the business/ commercial reasons behind the transaction nor the likely benefits arising out of the same. Similarly, the report does not address the relative merits of the transaction as compared with any other alternative business transaction, or other alternatives, or whether or not such alternatives could be achieved or are available. This report is restricted to recommendation of fair share exchange ratio only.

REGISTERED VALUER

We would like to emphasize that both the transferor company and transferee company holds investment in equity shares of Adhir Barter Private Limited ('ABPL'). We have been informed by the Management that ABPL does not carry out any significant business operations and hence the carrying value of the equity investment in ABPL can be considered to be representative of its fair value. Accordingly, we have considered the carrying value of investment in equity shares of ABPL as fair value for the purpose of our value analysis.

Further, we would like to emphasize that since JCPL holds investment in equity shares of BCPL, we have considered the fair value of investment in equity shares of BCPL alongwith the value of the business in order to arrive at the fair value of equity shares of JCPL.

We understand that BCPL has issued 0.1% redeemable preference share, which are outstanding as at the report date. We have considered the book value of preference shares outstanding as at the report date as a liability and adjusted the same for the purpose of our equity value analysis. Further, as per the scheme the existing preference shareholders of BCPL would be issued preference shares of JCPL having similar terms as that of the existing preference shares of BCPL.

We must emphasize that realization of free cash flow forecast used in the analysis will be dependent on the continuing validity of assumptions on which they are based. Our analysis therefore, will not, and cannot be directed to providing any assurance about the achievability of the final projections. Since the financial forecasts relate to the future, actual results are likely to be different from the projected results because events and circumstances do not occur as expected, and the differences could be material. To the extent that our conclusions are based on the forecasts, we express no opinion on achievability of those forecasts. The fact that we have considered the projections in this valuation exercise should not be construed or taken as our being associated with or a party to such projections.

The fee for the Engagement is not contingent upon the results reported.

We owe responsibility only to the Board of Directors of BCPL and JCPL, who have appointed us, and nobody else.

We do not accept any liability to any third party in relation to the issue of this report. It is understood that this analysis does not represent a fairness opinion. In no circumstance, shall the liability of NK exceed the amount as agreed in our Engagement Letter.

This valuation report is subject to the laws of India.

Neither the report nor its contents may be referred to or quoted in any registration statement, prospectus, offering memorandum, annual report, loan agreement or other agreement or document given to third parties, other than in connection with relevant filings with the statutory authorities with respect to the proposed amalgamation, without our prior written consent.

REGISTERED VALUER

VALUATION APPROACHES

It should be understood that the valuation of any company or its assets is inherently subjective and is subject to uncertainties and contingencies, all of which are difficult to predict and are beyond our control. In performing our analysis, we made numerous assumptions with respect to the industry performance and general business and economic conditions, many of which are beyond the control of the company.

The application of any particular method of valuation depends on the purpose for which the valuation is done. Although, different values may exist for different purpose, it cannot be too strongly emphasized that a valuer can only arrive at one value for one purpose. Our choice of methodology of valuation has been arrived at using usual and conventional methodologies adopted for transactions of similar nature and our reasonable judgment, in an independent and bona fide manner based on our previous experience of assignments of a similar nature.

The following are commonly used and accepted methods for determining the value of the equity shares of a company:

1. Asset Approach – Net Asset Value method
2. Market Approach:
   a) Market Price method
   b) Comparable Companies Market Multiple method
3. Income Approach – Discounted Cash Flow method

For the proposed amalgamation, we have considered the following commonly used and accepted methods for determining the value of the equity shares of the Companies for the purpose of recommending fair share exchange ratio, to the extent relevant and applicable:

1. Asset Approach – Net Asset Value method ('NAV')

The asset-based value analysis technique is based on the value of the underlying net assets of the business, either on a book value or realizable value or replacement cost basis. This value analysis approach is mainly used in case where the firm is to be liquidated i.e. it does not meet the "going concern" criteria or in case where the asset base dominates earnings capability. It is also used where the main strength of the business is its asset backing rather than its capacity or potential to earn profits.

The transferor company and transferee company presently operate as a going concern and are profitable and generate surplus cash and would continue to do so for the foreseeable future. NAV does not value the future profit generating ability of the business, we have therefore not used this method to value the Companies.

REGISTERED VALUER

2. Market Approach

a) Market Price method:

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.

Since the equity shares of the transferor and transferee company are not listed on any stock exchange, we have not used this method to arrive at the equity value of the Company.

b) Comparable Companies Multiple ('CCM') / Comparable Transaction Multiple ('CTM')

Under CCM, the value of shares/ business of a company is determined based on market multiples of publicly traded comparable companies. This valuation is based on the principle that market valuations, taking place between informed buyers and informed sellers, incorporate all factors relevant to valuation. CCM applies multiples derived from similar or 'comparable' publicly traded companies to a company's operating metrics. The appropriate multiple is generally based on the performance of listed companies with similar business models and size.

Based on our discussion with the Management, we understand that there are no comparable listed companies which operate in similar line of business and have similar business model as that of BCPL and JCPL, we have therefore not used CCM Method.

Under CTM, the value of shares/ business of a company is determined based on market multiples of publicly disclosed transactions in the similar space as that of the subject company. Multiples are generally based on data from recent transactions in a comparable sector, but with appropriate adjustment after consideration has been given to the specific characteristics of the business being valued.

Based on our discussion with the Management, we understand that there are no recent comparable transactions involving companies of similar nature and having a similar operating/ financial metrics as that of BCPL and JCPL, we have therefore not used CTM method.

3. Income Approach – Discounted Cash Flow Method

DCF method values a business based upon the available cash flow a prudent investor would expect the subject business to generate over a given period of time. This method is used to determine the present value of a business on a going concern assumption and recognizes the time value of money by discounting the free cash flows for the explicit forecast period and the terminal value at an appropriate discount factor. Free cash flows are the cash flows expected to be generated by the company that are available to owners of the company. The terminal value represents the total value of the available cash flow for all periods subsequent period to the forecast period. The terminal value of the business at the end of the forecast period is estimated and discounted to its equivalent present value and added to the present value of the explicit forecast period cash flow to estimate the value of the business.

The projected free cash flows to equity shareholders over the explicit forecast period and terminal value are discounted using the Cost of Equity ('COE'). The sum of the discounted value of such free cash flows to equity is the value of the business attributable to equity shareholders.

Using the DCF analysis involves determining the following:

Estimating future cash flows:

Free cash flows are the cash flows expected to be generated by the company that are available to the equity shareholders of the Company.

Appropriate discount rate to be applied to cash flows i.e. cost of equity.

This discount rate, which is applied to the free cash flows, should reflect the opportunity cost to the equity shareholders of the company. The opportunity cost to the equity capital providers equals the rate of return the capital provider expects to earn on other investments of equivalent risk.

To arrive at the total value attributable to the equity shareholders of the business, value arrived through DCF method for the company is adjusted for the value of loans, cash, inflow on exercise of options, non-operating assets/liabilities (e.g. fair value of investments, any contingent liabilities, etc.). The total value for equity shareholders is then divided by the total number of equity shares (on fully diluted basis) to arrive at the value per equity share of a company.

For the purpose of DCF value analysis, the free cash flows are based on projections and other information that are provided by the Management.

Both the transferor company and transferee company are profit making and generates surplus cash, going forward as well both the companies are expected to make profits and generate surplus cash in future, we have therefore used the DCF method which is one of the most commonly used and internationally accepted pricing methodology for valuing such companies.

REGISTERED VALUER

RECOMMENDATION OF SHARE EXCHANGE RATIO FOR THE PROPOSED SCHEME OF AMALGAMATION

The fair share exchange ratio has been arrived at on the basis of a relative (and not absolute) equity value of the transferor company and transferee company for the proposed scheme of amalgamation based on the various methodologies mentioned herein earlier. Suitable rounding off have been carried out wherever necessary to arrive at the fair share exchange ratio.

In light of the above and on a consideration of all the relevant factors and circumstances as discussed and outlined herein above including scope limitations and assumptions describe in this report and the engagement letter, we recommend the share exchange ratio as follows:

1) **To the equity shareholders of BCPL**

   540 (Five Hundred and Forty) equity shares of **JCPL** of INR 100 each fully paid up shall be issued for every **1,000 (One Thousand)** equity shares held in **BCPL** of INR 10 each fully paid up.

2) **To the preference shareholders of BCPL**

   1 (One) preference share of **JCPL** of INR 10 each fully paid up shall be issued for every **1 (One)** preference share held in **BCPL** of INR 10 each fully paid up.

Refer Annexure 1 for detailed share exchange ratio related workings.

Respectfully Submitted

NIRANJAN KUMAR IBBI Regn No. IBBI / RV / 06 / 2018 / 10137 REGISTERED VALUER - SEC. & FIN. ASSETS

Niranjan Kumar
Registered Valuer – Securities and Financial Assets
IBBI Registration Number: IBBI/RV/06/2018/10137
ICAIRVO/06/RV-P000021/2018-19
UDIN: 20121635AAAACG4761

Place: Pune
Date: 09 May 2020

Annexure 1:

Computation of share exchange ratio is given below:

INR in Million

Entity Name	Transferor/ Transferee	Equity Value	Number of equity shares	Value per equity share	Share exchange	Swap ratio*
Blue Circle Organics Private Limited [Refer Annexure-2]	Transferor	22,186.6	1,795,951	12,353.7		540 equity shares of JCPL for every 1,000 equity shares of BCPL
Jet Chemicals Private Limited [Refer Annexure-3]	Transferee	1,372.9	60,000	22,881.1	0.54	

** Preference shareholders of BCPL will get one preference share of JCPL of INR 10 each fully paid up against one existing preference share held in BCPL of INR 10 each fully paid up. Further the preference shares to be issued by JCPL to the preference shareholder of BCPL as a consideration for the proposed amalgamation shall have similar terms as that of existing preference shares of BCPL.*

NIRANJAN KUMAR
REGISTERED VALUER

Annexure 2

Blue Circle Organics Private Limited (BCPL)

Valuation Workings: Discounted Cash Flow (DCF) Method.

The value analysis of BCPL as at the report date has been carried out on a going concern basis. In our fair value analysis, we have used DCF Method based on the cash flow projections provided to us by the Management of BCPL ('Management Projections') and have relied on the unaudited provisional financial statements for the eleven months period ended 29 February 2020.

We have used the Free Cash Flow to Equity ('FCFE') method to determine the equity value of the Company. The FCFE method involves an estimation of post-tax free cash flows over the forecast period after considering the entity's requirements for reinvestment in terms of capital expenditure, incremental working capital as well as project specific needs and interest and loan repayment to providers of debt. The free cash flows represent the cash available for distribution to the equity shareholders of the Company.

The free cash flows to equity shareholders are discounted by cost of equity. The cost of equity represents the returns required by the investors of equity for their relative funding in the entity. The returns expected would depend on the perceived level of risk associated with the business of the Company and the industry in which the entity operates.

We have relied on the Management Projections for the period from FY20 to FY25, as prepared and provided to us by the Management of BCPL. We did not carry out any validation procedures or due diligence with respect to the information provided/ extracted or carry out any verification of the assets or comment on the achievability of the assumptions underlying the Management Projections, save for satisfying ourselves to the extent possible that they are consistent with other information provided to us during the course of this engagement

We have considered the audited financial statements for the year ended 31 March 2019 and unaudited provisional financial statements for the eleven months period from 01 April 2019 to 29 February 2020. We have adjusted the performance during the eleven months period ended 29 February 2020 from the annual estimate of FY20 in order to arrive at the projected cash flow for the one month period from 01 March 2020 to 31 March 2020 (PE20).

The projected free cash flows based on these Management Projections are set out on subsequent page:

NIRANJAN KUMAR
REGISTERED VALUER

Projected Cash Flow Statement

INR in Million

Particulars	PE20*	FY21	FY22	FY23	FY24	FY25	Terminal
EBITDA	**83.3**	**2,205.3**	**3,246.2**	**5,148.1**	**7,327.7**	**9,629.2**	**10,010.5**
Less: Depreciation	22.7	370.4	705.8	798.1	683.0	573.3	500.0
Less: Interest	2.2	76.5	97.8	103.0	70.4	40.6	40.4
EBT	**58.4**	**1,758.4**	**2,442.7**	**4,247.0**	**6,574.3**	**9,015.4**	**9,470.0**
Less: Tax expenses	14.7	442.6	614.8	1,069.0	1,654.7	2,269.2	2,383.6
PAT	**43.7**	**1,315.8**	**1,827.8**	**3,178.1**	**4,919.5**	**6,746.2**	**7,086.4**
Adjustments for:							
Depreciation	22.7	370.4	705.8	798.1	683.0	573.3	500.0
Changes in borrowings	142.0	(401.1)	758.4	(623.0)	(588.7)	-	-
Changes in working Capital	(8.8)	(218.2)	(618.4)	(1,043.7)	(1,291.4)	(1,407.8)	(231.1)
Changes in long term loans and other non-current liability	6.7	-	-	-	-	-	-
Capital expenditure	(99.7)	(2,636.4)	(2,282.8)	(216.5)	(50.0)	(50.0)	(500.0)
Free Cashflow to Equity	**106.5**	**(1,569.6)**	**390.7**	**2,092.9**	**3,672.5**	**5,861.7**	**6,855.4**

PE20: One month period ended 31 March 2020

FYXX: Financial year ended 31 March 20XX

Perpetuity cash flow (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 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. The cash flow of FY25 has been used as the base to determine the terminal value.

Based on dynamics of the sector and discussions with the Management, we have assumed a long term growth rate of 4.0% to calculate the terminal value. The terminal value after discounting has been estimated at **INR 17,552.7 Million.**

Discounting Factor:

The discount factor considered for arriving at the present value of the FCFE is the cost of equity. The cost of equity has been estimated at 20.6% (detailed workings provided in Annexure-4) after giving appropriate allowances for illiquidity of the shares and company specific risks including the risk associated with achieving the financial projections etc.

Given that cashflows are estimated to accrue evenly over the year, we have used the mid-period discounting convention to discount the cashflows.

Other Consideration:

To arrive at the value attributable to equity shareholders, equity value arrived above using DCF Method has been adjusted for the following:

<u>Investment in equity shares of Adhir Barter Private Limited ('ABPL'):</u>

BCPL holds investment in equity shares of ABPL, Management has represented that ABPL does not carry out any significant business operations and hence the carrying value of investment in equity shares of ABPL can be considered to be representative of its fair value. Accordingly, we have considered the carrying value of equity investment in ABPL amounting to INR 3.4 Million as fair value for the purpose of our value analysis.

NIRANJAN KUMAR REGISTERED VALUER

Redeemable Preference shares:

We have adjusted the face value of the redeemable preference share amounting to INR 15 Million issued by BCPL and outstanding as at the report date for the purpose of our value analysis.

Calculation of equity value per share of BCPL has been set out below:

Calculation of equity value per share

INR in Million

Particulars	PE20*	FY21	FY22	FY23	FY24	FY25	Total
Free Cashflow to Equity	106.5	(1,569.6)	390.7	2,092.9	3,672.5	5,861.7	
Discounting Factor	0.99	0.90	0.74	0.62	0.51	0.42	
Discounted cash flows	**105.7**	**(1,407.3)**	**290.6**	**1,290.8**	**1,878.7**	**2,487.0**	**4,645.4**
Terminal Value							17,552.7
Equity value (before adjustments) as at the report date							**22,198.2**
Adjustments for:							
Investment in equity shares as at the report date							3.4
Preference share capital as at the report date							(15.0)
Equity value as at the report date							**22,186.6**
No of equity shares outstanding as at the report date							1,795,951
Equity Value per share (INR per share)							**12,353.7**

PE20: One month period ended 31 March 2020

FYXX: Financial year ended 31 March 20XX

NIRANJAN ... REGISTERED VALUER SECURITIES & FINANCIAL ASSETS

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Summary of the Management Projections in relation to BCPL is set out below:

Profit and loss for the period/ year ended

INR in Million

Particulars	31-Mar-21 Projected	31-Mar-22 Projected	31-Mar-23 Projected	31-Mar-24 Projected	31-Mar-25 Projected
Revenue from operations	6,122.9	8,867.8	13,502.7	19,237.6	25,489.2
Other operating income	8.0	8.0	8.0	8.0	8.0
Total revenue	**6,130.9**	**8,875.9**	**13,510.7**	**19,245.6**	**25,497.3**
y-o-y growth %	*13.9%*	*44.8%*	*52.2%*	*42.4%*	*32.5%*
Less: Expenses					
Cost of goods sold	(2,713.5)	(3,964.9)	(5,980.4)	(8,657.8)	(11,658.7)
% of revenue	*44.3%*	*44.7%*	*44.3%*	*45.0%*	*45.7%*
Indirect expenses	(1,212.2)	(1,664.7)	(2,382.3)	(3,260.1)	(4,209.4)
% of revenue	*19.8%*	*18.8%*	*17.6%*	*16.9%*	*16.5%*
EBITDA	**2,205.3**	**3,246.2**	**5,148.1**	**7,327.7**	**9,629.2**
% of revenue	*36.0%*	*36.6%*	*38.1%*	*38.1%*	*37.8%*
Depreciation	(370.4)	(705.8)	(798.1)	(683.0)	(573.3)
EBIT	**1,834.9**	**2,540.5**	**4,350.1**	**6,644.7**	**9,056.0**
% of revenue	*29.9%*	*28.6%*	*32.2%*	*34.5%*	*35.5%*
Finance cost	(76.5)	(97.8)	(103.0)	(70.4)	(40.6)
EBT	**1,758.4**	**2,442.7**	**4,247.0**	**6,574.3**	**9,015.4**
Other income	25.1	46.4	156.9	353.8	672.0
PBT	**1,783.5**	**2,489.1**	**4,404.0**	**6,928.1**	**9,687.4**
Tax	(448.9)	(626.5)	(1,108.5)	(1,743.8)	(2,438.3)
PAT	**1,334.6**	**1,862.6**	**3,295.5**	**5,184.3**	**7,249.1**

Balance sheet as at

INR in Million

Particulars	31-Mar-21 Projected	31-Mar-22 Projected	31-Mar-23 Projected	31-Mar-24 Projected	31-Mar-25 Projected
Equity and liabilities					
Share capital	1,533.0	1,533.0	1,533.0	1,533.0	1,533.0
Reserves and surplus	3,235.6	5,098.2	8,393.7	13,578.0	20,827.1
Non current liabilities:					
Long-term borrowings	353.3	1,211.7	588.7	-	-
Other non current liabilities	36.0	36.0	36.0	36.0	36.0
Current liabilities:					
Short term borrowings	100.0	-	-	-	-
Trade payables	838.7	1,214.8	1,849.7	2,635.3	3,491.7
Other current liabilities	53.4	53.4	53.4	53.4	53.4
Total equity and liabilities	**6,150.1**	**9,147.1**	**12,454.4**	**17,835.6**	**25,941.1**
Assets					
Non current assets:					
Net fixed assets	3,319.7	4,896.8	4,315.2	3,682.2	3,158.9
Other non current assets	34.9	34.9	34.9	34.9	34.9
Current assets					
Inventories	587.1	850.3	1,294.8	1,844.7	2,444.2
Trade receivables	1,509.7	2,186.6	3,329.4	4,743.5	6,285.0
Cash and cash equivalents	489.2	914.7	3,125.0	7,062.2	13,426.7
Other current assets	210.3	264.7	356.1	469.0	592.2
Total Assets	**6,150.1**	**9,147.1**	**12,454.4**	**17,835.6**	**25,941.1**

NIRANJAN KUMAR
REGISTERED VALUER

Key balance sheet ratios:

Particulars	FY21	FY22	FY23	FY24	FY25
Trade Payables	838.7	1,214.8	1,849.7	2,635.3	3,491.7
Days of COGS	*113*	*112*	*113*	*111*	*109*
Trade Receivables	1,509.7	2,186.6	3,329.4	4,743.5	6,285.0
Days of sales	*90*	*90*	*90*	*90*	*90*
Inventory	587.1	850.3	1,294.8	1,844.7	2,444.2
Days of sales	*35*	*35*	*35*	*35*	*35*
Fixed assets	3,319.7	4,896.8	4,315.2	3,682.2	3,158.9
Fixed asset turnover ratio	*1.8*	*1.8*	*3.1*	*5.2*	*8.1*

Key assumptions considered while preparing Management Projections and valuing BCPL:

- The Management expects potential new contracts to be entered into by the Company having an average contract period of 3-5 years to supply new products to be introduced by the Company in the contrast media and pharma intermediates segment. In order to fulfill the existing and potential new contracts, the management is planning an improvement in the utilization of existing capacity and also capacity addition by utilisation of remaining unoccupied 40% of the manufacturing facility spread across a total area of 3.5 lakh square feet. Considering the above factors, revenue is projected to grow from INR 2,394 million in FY19 to INR 25,489.2 million in FY25 at a compounded annual growth rate of 48% over the explicit period.

- Based on the provisional financial statements as at 29 February 2020, the Company is operating at an EBITDA margin of 40%. For FY21, the Management expects the EBITDA margin to drop and earn an EBITDA margin of 36% on account of increase in cost of raw materials. Going forward, the Management expects the Company to enjoy the benefits arising from economies of scale and higher contribution from increased sales due to improvement in capacity utilization and capacity addition. As a result, the EBITDA margin is expected to improve and the Company is expected to earn an EBITDA margin 37% in FY22 and 38% thereafter over the explicit forecast period;

- The Management expects potential new contracts to be entered into by the Company to supply new products in the contrast media and pharma intermediates segment. Given that, to fulfill the potential new contracts the Company is planning to increase the existing manufacturing capacity by utilization of the 40% unoccupied manufacturing facility and estimates to incur capital expenditure as follows over the explicit period:

INR in Million

FY21	FY22	FY23	FY24	FY25
2,636.4	2,282.8	216.5	50.0	50.0

NIRANJAN ... REGISTERED VALUER

The total capital expenditure during FY21 and FY22 as mentioned above includes an expenditure of INR 2,463 million in FY21 and INR 2,127 million in FY22 respectively towards capacity addition for supply of new products in the contrast media and pharma intermediates segment by the Company;

- Trade receivables are assumed to remain constant at ~ 90 days of sales over the explicit forecast period which is in line with last few years;

- Trade payables over the past few years have been declining from 178 days of cost of goods sold in FY17, 152 days of cost of goods sold in FY18 to 128 days of cost of goods sold in FY19. Going forward, the Company expects to rationalize its working capital as a result of which trade payables are expected to decline further and remain constant at ~ 113 days of cost of goods sold over the explicit forecast period;

- The inventory holding period is assumed to remain constant at ~ 35 days of sales over the explicit forecast period;

- The Company does not avail any tax benefits and considering the same the Management has represented that they will opt for the new tax regime and accordingly the tax rate of 25.17% has been considered for the purpose of calculation of tax expense.

NIRANJAN KUMAR REGISTERED VALUER SECURITIES & FINANCIAL ASSETS

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Annexure 3

Jet Chemicals Private Limited (JCPL)

Valuation Workings: Discounted Cash Flow (DCF) Method.

The value analysis of JCPL as at the report date has been carried out on a going concern basis. In our fair value analysis, we have used DCF Method based on the cash flow projections provided to us by the Management of JCPL ('Management Projections') and have relied on the unaudited provisional financial statements for the eleven months period ended 29 February 2020.

We have used the Free Cash Flow to Equity ('FCFE') method to determine the equity value of the Company. The FCFE method involves an estimation of post-tax free cash flows over the forecast period after considering the entity's requirements for reinvestment in terms of capital expenditure, incremental working capital as well as project specific needs and interest and loan repayment to providers of debt. The free cash flows represent the cash available for distribution to the equity shareholders of the Company.

The free cash flows to equity shareholders are discounted by cost of equity. The cost of equity represents the returns required by the investors of equity for their relative funding in the entity. The returns expected would depend on the perceived level of risk associated with the business of the Company and the industry in which the entity operates.

We have relied on the Management Projections for the period from FY20 to FY25, as prepared and provided to us by the Management of JCPL. We did not carry out any validation procedures or due diligence with respect to the information provided/ extracted or carry out any verification of the assets or comment on the achievability of the assumptions underlying the Management Projections, save for satisfying ourselves to the extent possible that they are consistent with other information provided to us during the course of this engagement

We have considered the audited financial statements for the year ended 31 March 2019 and unaudited provisional financial statements for the eleven months period from 01 April 2019 to 29 February 2020. We have adjusted the performance during the eleven months period ended 29 February 2020 from the annual estimate of FY20 in order to arrive at the projected cash flow for the one month period from 01 March 2020 to 31 March 2020 (PE20).

The projected free cash flows based on these Management Projections are set out on subsequent page:

NIRANJAN KU... REGISTERED VALUER SECURITIE...

Projected Cash Flow Statement

INR in Million

Particulars	PE20*	FY21	FY22	FY23	FY24	FY25	Terminal
EBITDA	**3.8**	**48.6**	**71.2**	**105.8**	**150.2**	**165.2**	**172.6**
Less: Depreciation	0.7	8.3	8.6	8.8	9.0	9.1	10.0
Less: Interest	0.3	3.8	1.5	0.6	0.0	0.0	0.0
EBT	**2.8**	**36.5**	**61.1**	**96.4**	**141.2**	**156.1**	**162.6**
Less: Tax expenses	0.7	9.2	15.4	24.3	35.5	39.3	40.9
PAT	**2.1**	**27.3**	**45.8**	**72.2**	**105.7**	**116.8**	**121.6**
Adjustments for:							
Depreciation	0.7	8.3	8.6	8.8	9.0	9.1	10.0
Changes in borrowings	-	(28.2)	(11.3)	(7.5)	-	-	-
Changes in working capital	(2.6)	6.2	(12.6)	(12.8)	(12.6)	(11.9)	(5.2)
Changes in long term loans and advances	(0.6)	(0.2)	(0.2)	(0.2)	(0.2)	(0.4)	(0.2)
Capital expenditure	0.00	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)
Free Cashflow to Equity	**(0.4)**	**3.5**	**20.3**	**50.4**	**91.8**	**103.6**	**116.2**

PE20: One month period ended 31 March 2020

FYXX: Financial year ended 31 March 20XX

Perpetuity cash flow (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 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. The cash flow of FY25 has been used as the base to determine the terminal value.

Based on dynamics of the sector and discussions with the Management, we have assumed a long term growth rate of 4.0% to calculate the terminal value. The terminal value after discounting has been estimated at **INR 340.9 Million.**

Discounting Factor:

The discount factor considered for arriving at the present value of the FCFE is the cost of equity. The cost of equity has been estimated at 19.2% (detailed workings provided in Annexure-5) after giving appropriate allowances for illiquidity of the shares and company specific risks including the risk associated with achieving the financial projections etc.

Given that cashflows are estimated to accrue evenly over the year, we have used the mid-period discounting convention to discount the cashflows.

Other Consideration:

To arrive at the value attributable to equity shareholders, equity value arrived above using DCF Method has been adjusted for the following:

Investment in equity shares of Adhir Barter Private Limited ('ABPL'):

JCPL holds investment in equity shares of ABPL and Management has represented that ABPL does not carry out any significant business operations and hence the carrying value of investment in equity shares of ABPL can be considered to be representative of its fair value. Accordingly, we have considered the carrying value of equity investment in ABPL amounting to INR 4 Million as fair value for the purpose of our value analysis.

Investment in equity shares of BCPL:

For the purpose of estimating the value of investment in equity shares of BCPL held by JCPL, we have considered the fair value of investment in equity shares of BCPL in order to arrive at the fair value of equity shares of JCPL. (Refer Annexure-2 for fair value per share of BCPL)

Calculation of equity value per share of JCPL has been set out below:

Calculation of equity value per share

INR in Million

Particulars	PE20*	FY21	FY22	FY23	FY24	FY25	Total
Free Cashflow to Equity	**(0.4)**	**3.5**	**20.3**	**50.4**	**91.8**	**103.6**	
Discounting factor	0.99	0.90	0.76	0.63	0.53	0.45	
Discounted cash flows	**(0.4)**	**3.1**	**15.4**	**32.0**	**48.9**	**46.3**	**145.3**
Terminal value							340.9
Equity value (before adjustments) as at the report date							**486.2**
Adjustements for:							
Investments in equity shares of ABPL as at the report date							4.0
Fair Value of investment in equity shares of BCPL as at the report date							882.7
Equity value as at the report date							**1,372.9**
No of equity shares outstanding as at the report date							60,000
Equity value per share (INR per share)							**22,881.1**

PE20: One month period ended 31 March 2020

FYXX: Financial year ended 31 March 20XX

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Summary of the Management Projections in relation to JCPL is set out below:

Profit and loss for the period/ year ended

INR in Million

Particulars	31-Mar-21 Projected	31-Mar-22 Projected	31-Mar-23 Projected	31-Mar-24 Projected	31-Mar-25 Projected
Revenue from operations	355.7	426.9	512.2	614.7	676.2
Total revenue	**355.7**	**426.9**	**512.2**	**614.7**	**676.2**
y-o-y growth %	*20.0%*	*20.0%*	*20.0%*	*20.0%*	*10.0%*
Less: Expenses					
Cost of goods sold	(135.2)	(157.9)	(184.4)	(215.1)	(236.7)
% of revenue	*38.0%*	*37.0%*	*36.0%*	*35.0%*	*35.0%*
Indirect expenses	(171.9)	(197.7)	(222.0)	(249.3)	(274.3)
% of revenue	*48.3%*	*46.3%*	*43.3%*	*40.6%*	*40.6%*
EBITDA	**48.6**	**71.2**	**105.8**	**150.2**	**165.2**
% of revenue	*13.7%*	*16.7%*	*20.7%*	*24.4%*	*24.4%*
Depreciation	(8.3)	(8.6)	(8.8)	(9.0)	(9.1)
EBIT	**40.3**	**62.6**	**97.0**	**141.2**	**156.1**
% of revenue	*11.3%*	*14.7%*	*18.9%*	*23.0%*	*23.1%*
Finance cost	(3.8)	(1.5)	(0.6)	-	-
EBT	**36.5**	**61.1**	**96.4**	**141.2**	**156.1**
Other income	3.7	4.9	9.2	19.8	21.8
PBT	**40.3**	**66.1**	**105.6**	**161.1**	**177.9**
Tax	(9.7)	(15.9)	(27.5)	(41.3)	(44.8)
PAT	**30.6**	**50.2**	**78.1**	**119.8**	**133.1**

Balance sheet as at

INR in Million

Particulars	31-Mar-21 Projected	31-Mar-22 Projected	31-Mar-23 Projected	31-Mar-24 Projected	31-Mar-25 Projected
<u>Equity and liabilities</u>					
Share capital	6.0	6.0	6.0	6.0	6.0
Reserves and surplus	130.3	180.5	258.7	378.4	511.6
Non current liabilities:					
Long-term borrowings	18.8	7.5	-	-	-
Current liabilities:					
Trade payables	37.9	43.6	50.2	57.7	63.5
Other current liabilities	49.1	51.4	53.8	56.4	58.9
Total equity and liabilities	**242.1**	**289.1**	**368.6**	**498.6**	**640.0**
<u>Assets</u>					
Non current assets:					
Net fixed assets	47.2	48.7	49.9	50.9	51.7
Non-current investments	35.9	36.3	36.8	37.3	37.3
Other non current assets	4.0	4.1	4.3	4.5	4.9
Current assets					
Inventories	31.2	32.4	31.1	26.5	29.2
Trade receivables	87.7	105.3	126.3	151.6	166.7
Cash and cash equivalents	18.3	17.7	23.6	24.0	144.0
Current investments	-	25.0	75.0	180.0	180.0
Other current assets	17.9	19.7	21.6	23.8	26.2
Total Assets	242.1	289.1	368.6	498.6	640.0

REGISTERED VALUER SECURITIES & FINANCIAL ASSETS

Key balance sheet ratios:

Particulars	FY21	FY22	FY23	FY24	FY25
Trade Payables	37.9	43.6	50.2	57.7	63.5
Days of COGS	*102*	*101*	*99*	*98*	*98*
Trade Receivables	87.7	105.3	126.3	151.6	166.7
Days of sales	*90*	*90*	*90*	*90*	*90*
Inventory	31.2	32.4	31.1	26.5	29.2
Days of sales	*32*	*28*	*22*	*16*	*16*
Fixed assets	47.2	48.7	49.9	50.9	51.7
Fixed asset turnover ratio	*7.5*	*8.8*	*10.3*	*12.1*	*13.1*

Key assumptions considered while preparing Management Projections and valuing JCPL:

- The Management expects revenue to increase over the next few years on account of improvement in capacity utilization and launch of new products. Also, the company is expected to receive sub-contract business from BCPL and considering the above, the increase in revenue is expected from INR 217 million in FY19 to INR 676 million in FY25 at a compounded annual growth rate of 20%;

- Going forward, the Company is expected to enjoy the benefits arising from economies of scale and higher contribution from increased sales due to improvement in capacity utilization over the explicit period. As a result, the EBITDA margin of the Company is expected to grow from 14% in FY21, 17% in FY22, 21% in FY23 to 24% in FY24 and thereafter over the explicit forecast period;

- The Company estimates to incur capital expenditure as follows:

INR in Million

FY21	FY22	FY23	FY24	FY25
10.0	10.0	10.0	10.0	10.0

REGISTERED VALUER

- Going forward the Company is expected to rationalize its working capital and the estimated terms are as under:
  - Trade receivables are assumed to remain constant at ~ 90 days of sales over the explicit forecast period;
  - Trade payables are assumed to decrease from ~ 102 days of cost of goods sold in FY21 to 98 days of cost of goods sold in FY23 and will remain constant at 98 days of cost of goods sold thereafter;
  - Inventory holding period is assumed to decrease from ~ 32 days of sales in FY21 to 28 days of sales in FY22, 22 days of sales in FY23 and 16 days of sales thereafter;

- The Company does not avail any tax benefits and considering the same the Management has represented that they will opt for the new tax regime and accordingly the tax rate of 25.17% has been considered for the purpose of calculation of tax expense.

REGISTERED VALUER

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Annexure 4

Blue Circle Organics Private Limited (BCPL)

Calculation of cost of equity used in calculation of DCF:

The cost of equity has been computed using the Capital Asset Pricing Model ('CAPM') formula:

$r_E = r_F + \beta(r_M - r_F)$ + company specific risk premium

Where rF = Risk free rate; rM=Market return; β=Sensitivity to the market/ measure of market risk.

Calculation of cost of equity:

Particulars	
Risk free rate (A)	6.4%
Equity risk premium (B)	9.5%
Levered Beta of BCPL (C)	0.9
Cost of equity before considering company specific risk [(D) =(A)+((B)*(C))]	**14.6%**
Company specific Premium (E)	6.0%
Adjusted cost of equity considered for discounting [(F) =(D)+(E)]	**20.6%**

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Notes:

- Cost of equity calculated using CAPM formula as mentioned above have been adjusted for various factors such as:
  - Illiquidity of shares (i.e. illiquidity risk)
  - Uncertainty associated with future financial projections (i.e. projections risk)

  In light of the above, we have therefore considered a risk premium of 6.0% to arrive at the adjusted cost of equity to be used for discounting purpose.

- Unlevered beta of the following companies have been considered to calculate the levered beta for cost of equity:

Name	Business description	Levered beta	Unlevered beta
Aarti Industries Limited	Aarti Industries Limited is engaged in the business of development and manufacturing of several basic chemicals, agrochemicals, specialty chemicals and intermediates for pharmaceuticals.	0.7	0.7
Atul Ltd.	Atul Limited company is engaged in the business of APIs and API intermediaries with specialisation in phosgene-based pharmaceutical intermediates.	0.8	0.8
Vinati Organics Limited	Vinati Organics Limited is engaged in the business of manufacturing basic organic chemicals, specialty chemicals and niche specialty chemicals.	0.7	0.8
Navin Fluorine International Limited	Navin Fluorine International Limited is engaged in the business of manufacturing of value added specialty fluoro intermediates catering the needs of industry segments like pharmaceuticals, crop protection, hydrocarbon, etc.	0.8	0.8
Alkyl Amines Chemicals Limited	Alkyl Amines Chemicals Limited is engaged in the business of manufacturing and marketing various aliphatic amines, amine derivatives and other speciality chemicals	0.9	1.0
Mean			0.8

Annexure 5

Jet Chemicals Private Limited (JCPL)

Calculation of cost of equity used in calculation of DCF:

The cost of equity has been computed using the Capital Asset Pricing Model ('CAPM') formula:

$r_E=r_F + \beta(r_M-r_F)$ + company specific risk premium

Where rF = Risk free rate; rM=Market return; β=Sensitivity to the market/ measure of market risk.

Calculation of cost of equity:

Particulars	
Risk free rate (A)	6.4%
Equity risk premium (B)	9.5%
Levered Beta of JCPL (C)	0.8
Cost of equity before considering company specific risk [(D)=(A)+((B)*(C))]	**14.2%**
Company specific Premium (E)	5.0%
Adjusted cost of equity considered for discounting [(F)=(D)+(E)]	**19.2%**

Notes:

- Cost of equity calculated using CAPM formula as mentioned above have been adjusted for various factors such as:
  - Illiquidity of shares (i.e. illiquidity risk)
  - Uncertainty associated with future financial projections (i.e. projections risk)

  In light of the above, we have therefore considered a risk premium of 5% to arrive at the adjusted cost of equity to be used for discounting purpose.

- Unlevered beta of the following companies have been considered to calculate the levered beta for cost of equity:

Name	Business description	Levered beta	Unlevered beta
Aarti Industries Limited	Aarti Industries Limited is engaged in the business of development and manufacturing of several basic chemicals, agrochemicals, specialty chemicals and intermediates for pharmaceuticals.	0.7	0.7
Atul Ltd.	Atul Limited company is engaged in the business of APIs and API intermediaries with specialisation in phosgene-based pharmaceutical intermediates.	0.8	0.8
Vinati Organics Limited	Vinati Organics Limited is engaged in the business of manufacturing basic organic chemicals, specialty chemicals and niche specialty chemicals.	0.7	0.8
Navin Fluorine International Limited	Navin Fluorine International Limited is engaged in the business of manufacturing of value added specialty fluoro intermediates catering the needs of industry segments like pharmaceuticals, crop protection, hydrocarbon, etc.	0.8	0.8
Alkyl Amines Chemicals Limited	Alkyl Amines Chemicals Limited is engaged in the business of manufacturing and marketing various aliphatic amines, amine derivatives and other speciality chemicals	0.9	1.0
Mean			**0.8**