

FAIRNESS OPINION

LAUREL ORGANICS LIMITED

2nd August, 2016



Strictly Private & Confidential



Amber Jain

Ref. No: CPC/MB/61A/2016-17

Dated: 02.08.2016

SEBI Reg. No: INM000011435

To,

The Board of Directors

Kimia Biosciences Limited

AND

Laurel Organics Limited

Subject: Opinion on Fairness of Valuation in the proposed Scheme of Arrangement of Kimia Biosciences Limited with Laurel Organics Limited.

Dear Sir,

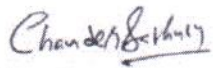
We refer to the request made by the management of M/s Kimia Biosciences Limited (hereinafter referred to as "KBL" / "Transferor Company") and M/s Laurel Organics Limited (hereinafter referred to as "LOL" / "Transferee Company"), for the purpose of arriving at an opinion on the Valuation of Equity shares dated 02.08.2016, carried by **AARA & COMPANY, Chartered Accountants** (here-in-after referred as "Valuer") in respect of the proposed Merger of "KBL", with "LOL" (Post Reduction) w.e.f. the Appointed date i.e. 1st April, 2016 pursuant to a Scheme of Arrangement for Merger to be sanctioned by the Hon'ble High Court of relevant jurisdiction under Section 391 read with Section 394 of the Companies Act, 1956 (or any corresponding provisions of the Companies Act, 2013).

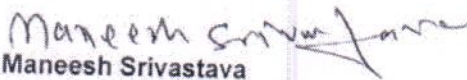
In terms of our assigned engagement, we are enclosing our opinion along with this letter. Please note that this is just an opinion on the captioned subject on the basis of the documents submitted to us and does not constitute our independent Valuation Analysis. All comments as contained herein must be read in conjunction with the Caveats to this opinion.

The opinion is confidential and has been prepared exclusively for the management of the Transferor Company and Transferee Company. It should not be used, reproduced or circulated to any other person, in whole or in part, without the prior consent of **Corporate Professionals Capital Private Limited**, such consent will only be given after full consideration of the circumstance at the time. We are however aware that the conclusion in this report may be used for the purpose of certain statutory disclosures and we provide consent for the same. Please feel free to contact us in case you require any additional information or clarifications.

Yours Faithfully

For Corporate Professionals Capital Private Limited


Chander Sawhney
[Partner]


Maneesh Srivastava
[Associate Vice President]





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CONTEXT AND BACKGROUND

1. We understand that **M/s Laurel Organics Limited** (Transferee Company) is a public company having its Equity shares listed at BSE Limited and Ahmedabad Stock Exchange Limited. The shares of the Company were also listed on Delhi Stock Exchange Limited, Madras Stock Exchange Limited and Jaipur Stock Exchange Limited however; SEBI through its orders has derecognized these stock exchange(s) and has withdrawn their recognitions. Now, pursuant to a Scheme of Arrangement for Merger, **M/s Kimia Biosciences Limited** (Transferor Company) is proposed to be merged into **Laurel Organics Limited** (post reduction) pursuant to Section 391 read with Section 394 of the Companies Act, 1956 (or any corresponding provisions of the Companies Act, 2013).
2. The Valuation and Swap Ratio for the proposed Amalgamation has been determined by, **AARA & COMPANY, Chartered Accountants** vide their Valuation Report dated 2nd August, 2016.
3. In accordance with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as "listing regulations") read with SEBI Circular no CIR/CFD/CMD/16/2015, dated November 30, 2015, the Listed Company shall submit the "Fairness Opinion" obtained by a Merchant Banker on the Valuation of assets / shares done by the Valuer for the listed entity and unlisted company (erstwhile SEBI Circular No CIR/CFDDIL/8/2013 dated May 21, 2013).
4. With reference to the above, we, **Corporate Professionals Capital Private Limited, a SEBI Registered Merchant Banker**, have been appointed by the Transferee and the Transferor Company, to provide the "Fairness Opinion" on the same.



James Paul



BRIEF ABOUT COMPANIES

1. **M/s Laurel Organics Limited** bearing CIN L24239HR1993PLC032120 was originally incorporated under the name of "Dolphin Organics Limited" on 27th September, 1993 under the provisions of Companies Act, 1956 and had obtained certificate of commencement of business on 19th October 1993. The name of Company was changed to its present name Laurel Organics Limited and fresh certificate of incorporation dated 19th April 1995 was issued by the RoC, NCT of Delhi & Haryana. The registered office of the Company is situated Village Bhondsi, Tehsil Sohna, Gurgaon, Haryana - 122102. The Equity Shares of the Company are listed at BSE Limited and Ahmedabad Stock Exchange Limited. The shares of the Company were also listed on Delhi Stock Exchange Limited, Madras Stock Exchange Limited and Jaipur Stock Exchange Limited however; the SEBI through its orders has derecognized these stock exchange(s) and has withdrawn their recognitions. Company was earlier engaged in the business of manufacturing of generic bulk drugs however, the company from last several years is not carrying any such business activities and has been running into losses.
2. **M/s Kimia Biosciences Limited** bearing CIN U24233DL2007PTC167770 was incorporated on 5th September 2007 under the provisions of Companies Act, 1956 and certificate of Incorporation was obtained from RoC, NCT of Delhi & Haryana. Subsequently the name of the company was changed to Kimia Biosciences Private Limited and a fresh certificate of incorporation was issued on 17th February 2012 by the RoC, NCT of Delhi & Haryana. Thereafter, the company got converted in public company and the name was changed to its present name Kimia Biosciences Limited and fresh certificate of incorporation was issued on 6th June, 2016 by the ROC, NCT of Delhi & Haryana. The registered office of the transferor company is presently situated at C-52, Rohit Kunj, Pitampura, Delhi -110034, however, the company has already filed the application before Regional Director for shifting of its registered office to Village Bhondsi, Tehsil Sohna, Gurgaon, Haryana - 122102.
KBL is engaged in the business of manufacturing and trading of pharmaceuticals products specifically bulk drugs. The Transferor Company through Share Purchase Agreement (SPA) had acquired 3,629,500 (Thirty Six Lacs Twenty Nine Thousand and Five Hundred) from the Promoters of the Transferee Company and has given open offer in accordance with SEBI (Substantial Acquisition of Shares & Takeovers) Regulations, 2011, wherein it acquired 98,600 (Ninety Eight Thousand and Six Hundred) from its shareholders. The shares acquired through SPA have not been transferred in the names of the Transferor Company due to the General Order of SEBI dated 20th July, 2015. These shares would be transferred in the name of the Transferor Company on 1st September, 2016. Pursuant to above, collectively, the holding of Transferor Company in the Transferee Company would become 50.48%. Also, pursuant to above open offer, the control of the transferee company had been duly changed.



KEY FACTS & KEY EXTRACTS OF THE SCHEME

1. The Scheme is broadly divided into two parts – (1) Internal Reorganization of Share Capital of the Transferee Company and (2) Amalgamation of the Transferor Company with Transferee Company.
2. The reorganization of share capital will allow the transferee company to restructure its equity share capital by writing-off certain portion off of accumulated past losses against 90% of its paid-up equity share capital and pursuant to reduction, the face value of shares shall be reduced from Rs. 10 (Rupees Ten) to Re. 1 (Rupee One). The reduction in share capital and proportionate writing off of accumulated loss shall portray the true financial position of the transferee company into the books.
3. The amalgamation of the transferor company will strengthen the balance sheet of the transferee company and shall create a larger and stronger entity, which will have better resources for business growth and expansion. The scheme of arrangement shall provide a running and profitable business to the transferee company which has growth potential and shall also provide the shareholders of transferor company liquidity through listing and hence there is significant synergy for consolidation of the two entities.
4. The other benefits likely to arise through the proposed arrangement are as follows:
 - I. Optimum and efficient utilization of capital, resources, assets and facilities;
 - II. Enhancement of competitive strengths including financial resources;
 - III. Consolidation of businesses and enhancement of economic value addition and shareholder value;
 - IV. Obtaining synergy benefits;
 - V. Better management and focus on growing the businesses.
 - VI. The amalgamation would result in reduction of overheads, administrative, managerial and other expenditure and bring about operational rationalization, efficiency and optimum utilization of various resources.



Amrinder



VALUERS ANALYSIS

To determine the exchange ratio between "LOL" and "KBL", the Valuer has specifically relied upon the following documents

- Audited Balance Sheet and Income Statement of "KBL" for the period ended 31st March, 2016.**
- Draft Scheme of Amalgamation**

VALUER APPROACHES TO VALUATION

➤ Net Asset Value Approach:-

Asset Based Method (NAV) views the business as a set of assets and liabilities that are used as building blocks to construct the base value of the company. This method is generally used to evaluate the entry barrier that exists in a business.

For valuing the shares of "KBL" Valuer has applied Asset Based Method based on the basis of Audited Balance Sheet as on 31st March, 2016, the same has not been considered while valuing the shares of LOL since the company is running into losses which have further eroded the Networth of the Company.

➤ Market Approach:-

Comparable Company Multiple (CCM) Method uses the valuation ratios of a publicly traded company and applies that ratio to the company being valued (after applying appropriate discount). The valuation ratio typically expresses the valuation as a function of a measure of financial performance or Book Value (e.g. Turnover, EBITDA, EBIT, EPS or Book Value). A key benefit of CCM analysis is that the methodology is based on the current market stock price. The current stock price is generally viewed as one of the best valuation metrics because markets are considered somewhat efficient. The difficulty here is in the selection of a comparable company since it is rare to find two or more companies with the same product portfolio, size, capital structure, business strategy, and profitability and accounting practices. Whereas no publicly traded company provides an identical match to the operations of a given company, important information can be drawn from the way similar enterprises are valued by public markets.

For valuing shares of "KBL" the Valuer has considered comparable companies multiple method analysis, and have taken the PE Multiple of listed peer companies as on 31.03.2016 and provided suitable marketability discount of 15% and then multiplied this with the profit as on 31.03.2016 to arrive at the Equity Value of KBL.



James Lal



However, Valuer has not considered comparable companies multiple method analysis for the purpose of valuation of LOL as the Company is running into losses.

➤ Price of Recent Investment (PORI):-

The recent investment in the business is often taken as the base value if there are no substantial changes since the last investment.

To arrive at the value of LOL, Valuer has applied this methodology as "KBL" through SPA acquired 3,629,500 shares at a price of INR 3 per share from the then Promoters of the LOL and has given open offer in accordance with SEBI (Substantial Acquisition of Shares & Takeovers) Regulations, 2011, wherein it acquired 98,600 from its shareholders at price of INR 3/- per share. The above price represents the actual transaction value. Valuer has not considered PORI while valuing "KBL" due to lack of any recent investment happened in KBL.

James Paf.



CONCLUSION & OPINION

- With reference to above and based on information provided by the management/ "Valuer" of the entities forming part of the arrangement and after discussions with the management/ "Valuer", we understand that the present Merger has been structured to consolidate the transferor and the transferee company resources and businesses. The proposed Merger of "KBL" with "LOL", as envisaged in the Scheme, is driven by the motive of consolidation and further expansion of the Transferee Company and to fulfill the objectives and business strategies of both the companies.
- While valuing equity shares of "LOL", the "Valuer" has considered it appropriate to give 100% weight to the value determined under Point of Recent Investment.
- While valuing equity shares of "KBL", the "Valuer" has considered it appropriate to give double weight to the value determined under Comparable Companies Multiple Approach to Net Asset Value Approach.
- "Subject to above read with the caveats as detailed later, we as a Merchant Banker hereby certify that pursuant to SEBI Circular no CIR/CFD/CMD/16/2015, dated November 30, 2015 we have reviewed the Valuation report of the Valuer **AARA & Company, Chartered Accountants** for the proposed Merger of "KBL" with "LOL" and consider the share exchange ratio as follows;
 - "LOL" shall issue **990 (Nine Hundred Ninety) Equity shares of face value of Re. 1 (Rupee One) each and 590 (Five Hundred Ninety) Compulsory Convertible Preference Shares of Re. 1 (Rupee One) each in "LOL" for every 100 (One Hundred) Equity shares of face value of Rupees 10/- (Rupee Ten) each held by them in "KBL" pursuant to Scheme of Amalgamation.**
- To be fair and reasonable to the Equity shareholders of Transferee Company and Transferor Company.



CAVEATS

- We wish to emphasize that; we have relied on explanations and information both verbal and written provided by the respective key managements, valuer and other public available information while verifying the valuation report. Although, we have reviewed such data for consistency and reasonableness, we have not independently investigated or otherwise verified the data provided.
- We have not made an appraisal or independent valuation of any of the assets or liabilities of the companies and have not conducted an audit or due diligence or reviewed/validated the financial data except what is provided to us by the Companies.
- The scope of our work has been limited both in terms of the areas of the business and operations which we have reviewed and the extent to which we have reviewed them. There may be matters, other than those noted in this Report, which might be relevant in the context of the transaction and which a wider scope might uncover.
- We have no present or planned future interest in M/s Kimia Biosciences Limited and M/s Laurel Organics Limited and the fee payable for this opinion is not contingent upon the opinion reported herein.
- Our Fairness Opinion should not be construed as investment advice; specifically, we do not express any opinion on the suitability or otherwise of entering into the proposed transaction.
- The Opinion contained herein is not intended to represent at any time other than the date that is specifically stated in this Report. This opinion is issued on the understanding that the Management / "Valuer" of M/s Kimia Biosciences Limited and M/s Laurel Organics Limited has drawn our attention to all matters of which they are aware, which may have an impact on our opinion up to the date of valuation as at 31st March, 2016 . We have no responsibility to update this report for events and circumstances occurring after this Valuation Date.
- This Fairness Opinion of ours as a Cat-1 Merchant Banker is subject to the Caveats above as well as the Caveats of the "Valuer" mentioned in its valuation report dated 02.08.2016 for valuation based as at 31st March, 2016.
- The Fairness Opinion provided by us should not be construed as a legal opinion on the Petition to be filed u/s 391-394 of the Companies Act, 1956 and other applicable provisions of the Companies Act, 1956 and the Companies Act, 2013 (to the extent notified)
- Our report is not, nor should it be construed as our opining or certifying the compliance of the proposed amalgamation 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 amalgamation.



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