

VALUATION ANALYSIS

FOR DETERMINATION OF SHARE EXCHANGE RATIO PURSUANT
TO SCHEME OF ARRANGEMENT

AMONG

KIMIA BIOSCIENCES LIMITED
(TRANSFEROR COMPANY)

AND

LAUREL ORGANICS LIMITED
(TRANSFeree COMPANY)

PREPARED BY:-

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SECTION I - APPOINTMENT FOR DETERMINATION OF EXCHANGE RATIO

This Valuation Report has been prepared by **M/s AARA & Company; Chartered Accountants** to provide Valuation of companies involved in the Scheme of Arrangement in order to determine the exchange ratio of equity shares of Laurel Organics Limited (Transferee Company) viz-a-viz the equity shares of Kimia Biosciences Limited (Transferor Company) under Section 391 read with Section 394 of the Companies Act, 1956 (or any corresponding provisions of the Companies Act, 2013). The Appointed Date for this amalgamation has been kept as 1st April, 2016.

BRIEF OF THE COMPANIES INVOLVED UNDER THIS AMALGATION

1. **'Laurel Organics Limited' or 'LOL' or 'Transferee Company'** 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Jaipur Stock Exchange Limited, however, the SEBI through its orders has derecognized these stock exchange(s) and has withdrawn their recognitions. We understand that 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 have been running into losses.
2. **'Kimia Biosciences Limited' or 'KBL' or 'Transferor Company'** bearing CIN U24233DL2007PTC167770 was originally incorporated under the name of "R. S. Pharma Plus Private Limited 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.

SCOPE OF SERVICES

As a part of the advisory services, LOL & KBL has appointed M/s AARA & Company, Chartered Accountants, to undertake the valuation of LOL & KBL involved in this scheme a prelude to business consolidation. The scope of our work for the same is as under:

- Valuation of the companies and Suggest a share exchange ratio for the purpose of the proposed amalgamation of Kimia Biosciences Limited (Transferor Company) into Laurel Organics Limited (Transferee Company) as per Scheme of Arrangement, pursuant to Section 391 read with read with Section 394 of the Companies Act, 1956 (or any corresponding provisions of the Companies Act, 2013).

SCOPE LIMITATION

The valuation exercise was carried out under the following limitations:

- The valuation of the companies is based on various assumptions made by the respective companies and their management relating to the operations of their businesses and representation made their too in this context any change in these assumptions could have an impact on their valuation.
- While preparing this valuation report we have looked at the Audited Balance Sheet and Income Statement of "LOL" and "KBL" for the period 31st March 2016 as provided by the Key Managerial Personnel's (KMP) of the Companies.
- This report is prepared exclusively for the above purpose and the assumptions contained herein, which are expressly adopted for the purpose of this Report, are based on the information made available to us at the time of making this report.



SECTION II - COMPANIES ASSESSMENT**1. LAUREL ORGANICS LIMITED****1.1. BASIC INFORMATION:**

'Laurel Organics Limited' or 'LOL' or 'Transferee Company' 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.

We understand that 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 have been running into losses.

1.2. EXTRACT OF INCOME STATEMENT FOR PERIOD ENDED 31st MARCH 2016

Particulars	Amount in INR
	Audited 31.03.2016
Revenue From operations	1,921,045.00
Other Income	1,866,954.05
Total Income	3,787,999.05
Total Expenses	44,226,581.90
Profit Before Tax	(40,438,582.85)
Tax expense	91,941.00
Profit After Tax	(40,530,523.85)

1.3. EXTRACT OF BALANCE SHEET AS ON 31st MARCH 2016

Particulars	Amount in INR
	Audited 31.03.2016
Share Capital	73,850,000.00
Reserve and surplus	(112,642,461.27)
Non-Current Liabilities	73,038,765.00
Current Liabilities	6,848,465.00
Total	41,094,768.73
Non-Current Assets	35,031,596.79
Current Assets	6,063,171.94
Total	41,094,768.73



2. KIMIA BIOSCIENCES LIMITED**2.1. BASIC INFORMATION:**

'Kimia Biosciences Limited' or 'KBL' or 'Transferor Company' bearing CIN U24233DL2007PTC16777C was originally incorporated under the name of "R. S. Pharma Plus Private Limited 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, Rishi 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 then 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.



2.2. EXTRACT OF INCOME STATEMENT FOR PERIOD ENDED 31st MARCH 2016

Particulars	Amount in INR
	Audited 31.03.2016
Revenue From operations	453,685,203
Other Income	7,958,297
Total Income	461,643,500
Total Expenses	453,397,424
Profit / (Loss) before extraordinary items	8,246,077
Depreciation reworking due to change of method WDV to SLM	(229,554)
Profit / (Loss) before tax	8,475,631
Tax expense	2,887,226
Profit After Tax	5,588,405

2.3. EXTRACT OF BALANCE SHEET AS ON 31st March 2016

Particulars	Amount in INR
	Audited 31.03.2016
SOURCES OF FUNDS	
Share Capital	11,048,000
Reserve and surplus	20,199,154
Non-Current Liabilities	118,107,194
Current Liabilities	181,872,316
Total	331,226,664
Non-Current Assets	46,573,101
Current Assets	284,653,563
Total	331,226,664

James J...

laurel Organics Ltd
Gurgaon



SECTION III - INTEGRATION via REORGANISATION & AMALGAMATION**SCHEME OF ARRANGEMENT:**

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. 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. Further, 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.

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.
- VII. A larger growing company will mean enhanced financial and growth prospects for the people and organization connected therewith, and will be in public interest. The amalgamation will conducive for better and more efficient and economical control over the business and financial conduct of the Companies



SECTION IV - PERSONS FURNISHING INFORMATION DETAILS

The management of the Companies, assisted by their respective Key Managerial Personnel's have furnished the required financial and other relevant information, explanations and data for the respective companies, to facilitate us in drawing up our opinion. In the course of drawing up our opinion on the exchange ratio between Transferee Company and Transferor Companies, we have relied upon the management certified financial information and other documents provided to us by the respective key management of all the companies. We have also relied upon the statement made by the management regarding the objectives and rationale of consolidation of businesses (as provided in section III of this report). This has helped us in determining the appropriate valuation methodologies.



SECTION V- PURPOSE & DATE OF AMALGAMATION AND EXCHANGE RATIO**PURPOSE OF AMALGAMATION**

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.

DATE OF EXCHANGE RATIO

It is proposed that the businesses and undertakings of "KBL" shall be amalgamated with the business and undertaking of "LOL" with effect from the opening of business hours on 1st April, 2016, as per the Scheme of Arrangement, subject to the orders of the Hon'ble High Court.

In the process of amalgamation it is necessary to determine the value of shares of KBL and LOL to ascertain the share exchange ratio. To arrive at the value of equity shares of companies and to determine the share exchange ratio, we have relied upon the **Audited Balance Sheet and Income Statement** of "KBL" for the period ended 31st March, 2016.



SECTION VI- METHODS APPLIED FOR THE PURPOSE OF AMALGAMATION**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, we have applied this methodology in our valuation analysis 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.

We have not considered PORI while valuing KBL due to lack of any recent investment in KBL.

ASSET BASED METHOD:-

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" we have 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.

Amount in INR	
Particulars	Audited 31.03.2016
Share Capital	11,048,000.00
Reserves & Surplus	20,199,154.00
Net Worth	31,247,154.00
Number of shares	1,104,800
value per share	28.28

COMPARABLE COMPANIES MULTIPLE (CCM) METHOD:-

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

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

We have selected the Companies on the basis of the following parameters:-

- a. **Business Model:** - For peer group selection we have taken listed companies (Small / Mid Cap / Large Cap) on stock exchanges belonging to similar Industry and considered their PE Multiples as on 31.03.2016.
- b. **Trade Volume:** - Only those companies have been considered whose shares are frequently traded at the Stock Exchanges.

Particulars	Amount in INR
PAT for FY16	5,588,404.76
Adjusted industry Multiple	11.26
Equity Value	62,946,194.48
Number of shares	1,104,800
Value per share	56.98



COMPUTATION OF FAIR VALUE:-

Methodologies Applied	KBL	LOL
Net Asset Value (NAV)	28.28	-
Comparable Companies Multiple (CCM)	56.98	-
Price of recent Investment (PORI)	-	3.00
Weights		
Net Asset Value (NAV)	1	-
Comparable Companies Multiple (CCM)	2	-
Price of recent Investment (PORI)	-	1
Weighted average value per share (INR)	47.41	3.00
Share Exchange Ratio	15.80	1



SECTION VII -SHARE EXCHANGE RATIO

On the basis of the above analysis, the Share Exchange Ratio (Post reduction) has been arrived at and accordingly equity shares of "LOL" (Transferee Company) shall be issued to the shareholders of "KBL" (Transferor Company) in the ratio mentioned below:

"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.

**FOR AARA & COMPANY
CHARTERED ACCOUNTANTS**



**RAHUL BANSAL
PARTNER
M. NO. : 514855
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**PLACE: NEW DELHI
DATE: 2nd August, 2016**

