ANNEXURE - 3

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STRICTLY PRIVATE & CONFIDENTIAL

March 25, 2018

To,

The Board of Directors
Valiant Organics Limited
109, Udyog Kshetra
Mulund Goregaon Link Road
Mulund (West)
Mumbai 400 080.

The Board of Directors
Amarjyot Chemical Limited
A-301, Kaustubh Park
Near Bhagwati Hospital
Borivali
Mumbai- 400103.

Re: Recommendation of Share Exchange Ratio for the purpose of proposed merger of Amarjyot Chemical Limited with Valiant Organics Limited.

Dear Sir(s),

As per our discussions with the Management of Valiant Organics Limited and Amarjyot Chemical Limited (hereinafter collectively referred to as the "Management"), we have carried out the fair valuation of equity shares of Valiant Organics Limited (hereinafter referred to as "VOL" or "the Transferee Company") and Amarjyot Chemical Limited (hereinafter referred to as "ACL" or "the Transferor Company) to recommend the share exchange ratio for the proposed Scheme of Merger by absorption of ACL with VOL (hereinafter collectively referred to as "Companies").

1. PURPOSE OF VALUATION

1.1 We have been informed that, the managements of ACL and VOL are considering a proposal for merger by absorption of ACL with VOL, (hereinafter referred to as "Amalgamation" or "Merger") pursuant to the provisions of Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 (including statutory modifications or re-enactments thereof) for the time being in force, (hereinafter

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referred to as "Scheme"). Subject to necessary approvals, the merger by absorption of ACL with VOL will be with effect from the Appointed Date of 1st October 2017. In consideration for the Merger,

- **For Equity Shareholders of ACL** - both Equity Shares and Optionally Convertible Preference Shares ('OCPS') of VOL would be issued. The OCPS will carry a coupon of 0% and will be convertible at the option of the holder into equivalent no. of equity share within 18 months from the date of receipt of trading approval from BSE Limited. In case the option holder does not exercise the option of conversion of OCPS the same will be converted into equivalent number of 0% Non-Cumulative Redeemable Preference Shares ('RPS') which will be redeemable in tranches, at the option of VOL, not before 66 months and not beyond 90 months from the date of allotment of RPS, at a price to give 4% annualized return on the face value and premium.

- **For Preference Shareholders of ACL –** The management of VOL has represented to us that VOL intends to discharge the consideration through issue of equivalent number preference shares of same face value and on the exact terms, except for the redemption period which will be reduced for the Preference Shareholders of ACL. Considering this, we have not carried out a valuation of the preference shares for both ACL and VOL.

1.2 In this connection, we, M/s. N. M. Raiji & Co., Chartered Accountants, have been appointed to carry out the relative valuation of Equity Shares of VOL and ACL and to recommend the share exchange ratio, having regard to the Securities and Exchange Board of India ("SEBI") Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017, read with Circular No. CFD/DIL3/CIR/2017/26 dated March 23, 2017.

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2. BRIEF BACKGROUND OF THE COMPANIES

2.1 VALIANT ORGANICS LIMITED (VOL)

2.1.1 VALIANT ORGANICS LIMITED is a chemical manufacturing company, with a focus on manufacturing of Chlorophenol and Para NitroAniline, chemicals which has several applications, mainly in the agro-chemical industry, pharmaceutical industry, dyes industry, manufacturing of cosmetics and veterinary drugs.

2.1.2 VOL operates a single location manufacturing facility at Sarigam Industrial Estate.

2.1.3 This business was originally begun in the year 1984 as a partnership concern in the name of Valiant Chemical Corporation and was converted into a private limited company, i.e. Valiant Organics Limited in the year 2005. In 2015, VOL was further converted into a public limited company.

2.1.4 Equity shares of Valiant are listed on the SME platform of BSE Limited.

2.1.5 The Shareholding pattern of VOL as on March 23, 2018 is as under:

Shareholders	No.of Shares	%
Promoters	27,92,250	47.61
Public	30,72,100	52.39
Total	**58,64,350**	**100.00**

2.2 AMARJYOT CHEMICAL LIMITED (ACL)

2.2.1 AMARJYOT CHEMICAL LIMITED ("ACL") was incorporated in the year 1978. It is one of the leading manufacturers and suppliers of Specialty Chemicals. ACL is headed by first generation technocrats, having a vast experience in the Industry. Amarjyot's plants are located at Vapi, Jhagadia and Ahmedabad in Gujarat.

2.2.2 ACL has a long history of manufacturing and carries out Ammonolysis, Hydrogenation, Nitration, Sulphonation, Acetylation reactions at its units.

2.2.3 Amarjyot's products find use across multiple Industries.

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2.2.4 Some of the Products of the company are as follows:

- **Dye Intermediates:** Para Nitro Aniline, Ortho Chloro Para Nitro Aniline, 6 Acetyl OAPSA, Ortho Anisidine, Para Anisidine and OT5SA.
- **Intermediates for Pigments:** 2 B Acid, 4 B Acid, 6 B Acid, ONAPSA.
- **Agro Intermediates:** N-IsoPropyl Para Chloro Aniline (IPPCA), Meta Chloro Aniline,Para Fluoro Aniline, 4-Fluoro-N-isoPropylAniline (F.I.Aniline).
- **Dyes:** Acid Dyes, Reactive Dyes, Direct Dyes

2.2.5 The Shareholding pattern of ACL as on March 23, 2018 is as under:

- **Equity Shares**

Shareholders	No.of Shares	%
Promoters	44,20,832	50.56
Non Promoters	43,23,548	49.44
Total	**87,44,380**	**100.00**

- **Preference Shares**

Shareholders	No.of Shares	%
Promoters	21,055	53.44
Non Promoters	18,345	46.56
Total	**39,400**	**100.00**

3. EXCLUSIONS AND LIMITATIONS

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

3.2 No investigation of the Companies' claim to title of assets has been made for the purpose of this valuation and their claim to such rights has been assumed to be valid. No consideration has been given to liens or encumbrances against the assets, beyond the loans disclosed in the accounts. Therefore, no responsibility is assumed for matters of a legal nature.

3.3 Our work does not constitute an audit or certification of the historical financial statements / prospective results, including the working results of the Companies

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

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

3.5 In the course of the valuation, we were provided with both written and verbal information. We have however, evaluated the information provided to us by the Companies through broad inquiry, analysis and review, but have not carried out a due diligence or an audit of the information provided for the purpose of this engagement. Public information, estimates, industry and statistical information relied upon in this report have been obtained from sources considered by us to be reliable. However, we have not independently verified such information and make no representation as to the accuracy or completeness of such information from or provided by such sources. Our conclusions are based on the assumptions, forecasts and other information given by/on behalf of the Companies. We assume no responsibility for any errors in the above information furnished by the Companies and its consequential impact on the present exercise.

3.6 We have been provided with the estimates of future financial performance by the management of the Companies, which represents their view of reasonable expectation at the point of time when they were prepared, but such information and estimates are

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not offered as assurances that the particular level of income or profit will be achieved or events will occur as predicted. Actual results achieved during the period covered by the prospective financial statements may vary from those contained in the statement and the variation may be material.

3.7 Our report should not be construed as our opining or certifying the compliance of the proposed merger 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 merger.

3.8 This report is prepared only in connection with the proposed merger, exclusively for the use of the Companies and for submission to any regulatory/statutory authority, as may be required under any applicable law.

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

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

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

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

4. SOURCES OF INFORMATION

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

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

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(b) Audited financial statements of VOL and ACL for the year ended March 31, 2016 and March 31, 2017;

(c) Unaudited financial statements of VOL and ACL for the six months ended September 30, 2017;

(d) Share capital details of the Companies as on March 31, 2017, September 30, 2017 and as on March 23, 2018;

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

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

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

5. VALUATION APPROACH

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

(a) the "Underlying Asset" approach;

(b) the "Income" approach and

(c) the "Market Price" approach;

6. SALIENT FEATURES OF THE PROPOSED SCHEME

6.1 The Scheme envisages merger of ACL with VOL.

6.2 The appointed date of the Scheme is 1st October, 2017. The 'Effective Date', as defined in the Scheme, is the date on which the certified copies of the Order of the NCLT, as defined in the Scheme, sanctioning the Scheme, is filed with the Registrar of Companies concerned.

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6.3 The scheme envisages transfer of all the assets and liabilities, duties, obligations, contracts etc., of ACL to VOL, by way of merger, at their book values, with effect from the Appointed Date.

6.4 This Scheme will lead to consolidation of business and assets, synergy of operations and networks of both the Companies. This will help achieve better and more efficient utilization of available resources, benefits of internal economies, diversification in order to mitigate risks and improving organizational efficiencies.

6.5 In consideration, VOL will issue equity shares to the equity shareholders of ACL.

7. UNDERLYING ASSET APPROACH

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

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

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

7.4 However, since the companies are intended to be valued on 'going concern basis' and there are no intensions to dispose off the assets of the Companies, therefore the 'Underlying Asset' approach is not adopted for the present valuation exercise.

7.5 Considering the above and given the nature of business in which the companies are engaged, we have thought fit to use the "Income" approach and "Market Price" approach for the current valuation exercise.

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8. INCOME APPROACH

8.1 Under the Income Approach, the equity shares of VOL and ACL have been valued as per the Discounted Cash Flow (DCF) method.

8.2 The Discounted Cash Flow Method (DCF) values the business of a company by discounting its free cash flows for the explicit forecasted period and the perpetuity value thereafter. Under this approach, below mentioned assumptions and steps have been taken:

8.2.1 We have been provided with the projections for the next five years and, thereafter, it has been assumed that the Companies will grow by 4.0% per annum for the perpetuity period;

8.2.2 As depreciation is non-cash charge, they have been added back to the estimated profits after tax;

8.2.3 Interest (after tax) has also been added to the estimated profit after tax;

8.2.4 Fund requirements for incremental working capital have been estimated and reduced from the cash earnings of the respective years;

8.2.5 Capital Expenditure for expansion is taken, as estimated by the management. For normal replacement of assets, estimated additional capital expenditure has been taken for the perpetuity period;

8.2.6 Cash flows for the explicit period are arrived at after considering the outflow of income tax;

8.2.7 The discounting factor to ascertain the present value of future cash flows has been arrived at by determining the Weighted Average Cost of Capital ('WACC") to the Company. The WACC is calculated using the Capital Asset Pricing Model ('CAPM'), where we have considered the risk free rate of return, beta and market return. We have assumed a risk free rate of 7.25%, market return of 14.0% and beta of 0.77 for VOL and 1.02 for ACL. We have also considered

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additional risk premium of 1.0% for ACL on account of business risk and capital risk. The long term debt : equity ratio considered for ACL is 1:3 and that for VOL at 0:1. Accordingly, the WACC arrived at is 12.0% for VOL and 12.3% for ACL.

8.2.8 There are no contingent liabilities which will adversely impact the valuation of the Company; and

8.2.9 The perpetuity value and the discounted cash flow for the explicit period have been aggregated to arrive at the Enterprise Value.

8.2.10 From the Enterprise value so arrived, the Cash & Bank Balance as at 30th September 2017 has been added and the Debt position has been reduced to arrive at the equity value of the Companies.

8.2.11 The equity value so arrived at is divided by the outstanding equity shares to arrive at the value per share.

8.2.12 For arriving at the equity value per share of VOL under this approach, we have added the fair market value (net of applicable taxes) of surplus assets (land, building and plant & machinery) and non-current investments. The fair market value (net of applicable taxes) surplus assets (land, building and plant & machinery) is INR 589.3 lakhs and investments is INR 3,121.2 lakhs.

8.3 MARKET PRICE APPROACH

8.3.1 The market price of an equity share, as quoted on a stock exchange, is normally considered as the value of the equity shares of that company, where such quotations are arising from the shares being regularly and freely traded in, subject to the element of speculative support that may be inbuilt in the value of the shares.

8.3.2 The equity shares of VOL are listed on the BSE SME platform. The shares are 'frequently traded' (in terms of Regulation 71A of SEBI Issue of Capital and Disclosure requirements (ICDR) Regulations) on the BSE SME stock exchange. Thus, under Market Price Method, in line with SEBI ICDR regulation 76(1) read

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with Circular No. CFD/DIL3/CIR/2017/21 dated 10.3.2017 and Circular No. CFD/DIL3/CIR/2017/26 dated 23.3.2017, the volume weighted average price of equity shares of VOL during the two weeks preceding the date of the board meeting being higher (at INR 812.75) than the volume weighted average price during the 26 weeks preceding the date of the board meeting (INR 661.59), the value of INR 812.75 per share has been considered.

Note: Since the Board Meeting is held on March 25, 2018 (Sunday), we have considered relevant date to be March 23, 2018 (Friday) in terms of Regulation 71 of SEBI ICDR regulation, that if the relevant date falls on weekends / holiday, the day preceding the weekend / holiday will be reckoned to be the Relevant Date

8.3.3 Since the equity shares of ACL are not listed on any of the stock exchanges, the market value approach cannot be adopted for valuation of the shares of ACL.

9. RECOMMENDATION OF FAIR EXCHANGE RATIO

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

Considering the fact that, after the amalgamation, the business of the Companies is intended to be continued on a "going concern" basis, in order to arrive at the relative values of the Companies, we have considered it appropriate to adopt the "Income Approach" and "Market Price Approach" for the valuation of VOL and ACL.

9.2 To arrive at relative value of VOL, we considered it appropriate to give equal weights to the value determined as per DCF method and the Market price method. However, we found that the resulting value of each equity share of VOL was less than the price arrived at pursuant to SEBI ICDR regulation 76(1) read with Circular No. CFD/DIL3/CIR/2017/21 dated 10.3.2017 and Circular No. CFD/DIL3/CIR/2017/26 dated

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23.3.2017. Hence, value per equity share of INR 812.75 arrived as per Market price method, has been adopted as value of each equity share of VOL.

9.3 To arrive at relative value of ACL, we have considered it appropriate to determine value as per DCF method. Since the shares of the company are not listed on any stock exchange, the Market Price Method cannot be considered.

9.4 The share exchange ratio has been arrived at on the basis of a relative valuation of the shares of the Companies based on the methodology explained herein above and various qualitative factors relevant to each company and the business dynamics and growth potential of the businesses of the Companies, having regard to the information base, management representations and perceptions, key underlying assumptions and limitations.

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

9.6 In the light of the above, and on a consideration of all the relevant factors and circumstances as discussed and outlined hereinabove, in our opinion, the following is the fair value of Equity shares:

Valuation Approach	ACL		VOL	
	Value per Share (INR)	Weights	Value per Share (INR)	Weights
Asset Approach	83.4	0	139.2	0
Income Approach	755.9	1	806.8	0
Market Approach	Not Applicable	0	812.7	1
Relative Value per Share	755.9		812.7	
Share Exchange Ratio	0.93			

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

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Accordingly, in the event of merger of ACL into VOL, the shares to be issued to the shareholders of ACL as consideration in the proportion of their shareholding in ACL would be:

For Equity Shareholders:

72 (seventy two) Equity Shares of VOL of face value INR 10/- each and 21 OCPS of face value INR 10/- each, for every 100 equity shares of ACL of INR 10/- each. Shareholders holding less than 100 equity shares of ACL will be issued proportionate shares of VOL based on above mentioned share exchange ratio.

For Preference Shareholders:

As mentioned above

1 (One) Redeemable Preference Share of VOL of face value INR 100/- each, for every 1 (One) Redeemable Preference Share of ACL of face value INR 100/- each.

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

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

VALIANT ORGANICS LIMITED MUMBAI

Place: Mumbai

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