

FAIRNESS OPINION

VIKAS ECOTECH LIMITED

29th May, 2017

Strictly Private & Confidential

Corporate Professionals Capital Private Limited

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Ref. No: CPC/MB/27A/2017-18

Dated: 29.05.2017

SEBI Reg. No: INM000011435

To,

The Board of Directors

VIKAS ECOTECH LIMITED

AND

VIKAS MULTICORP LIMITED

Subject: Opinion on Fairness of Valuation / Share Entitlement Report in the proposed Scheme of Arrangement for Demerger of 'Recycled compounds and Trading Division' (Demerged Undertaking) of Vikas Ecotech Limited (Demerged Company) into Vikas Multicorp Limited (Resulting Company).

Dear Sir,

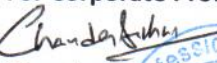
We refer to the request made by the management of **M/s Vikas Ecotech Limited** (hereinafter referred to as "VEL"/ "Demerged Company") for the purpose of arriving at an opinion on the share entitlement report dated 29.05.2017, issued by **M/s SANJEEV JAGDISH CHAND & ASSOCIATES, Chartered Accountants** (here-in-after referred as "Valuer") in respect of the proposed Demerger of 'Recycled compounds and Trading Division' (Demerged Undertaking) of Vikas Ecotech Limited (Demerged Company) into Vikas Multicorp Limited (Resulting Company) w.e.f. the appointed date i.e. 1st April, 2017 pursuant to a Scheme of Arrangement for Demerger to be sanctioned by the Hon'ble High National Company Law Tribunal (NCLT) of relevant jurisdiction under Section 230 read with Section 232 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.

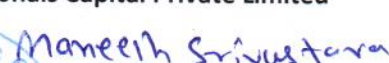
The opinion is confidential and has been prepared exclusively for the management of the "Demerged Company" and "Resulting Company". It should not be used, reproduced or circulated to any other person, in whole or in part, without the prior consent of **Corporate Professionals Capital Private Limited**, 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]





Contents

Context and Background	3
Brief about Companies	4-5
Key facts & Certain Extracts of the Scheme	6-7
Valuer Analysis	8-11
Conclusion & Opinion	12
Caveats	13



CONTEXT AND BACKGROUND

1. We understand that **M/s Vikas Ecotech Limited** (Demerged Company) bearing CIN L65999DL1984PLC019465 is a widely held listed company, having its shares listed at BSE Limited (BSE) and NSE Limited (NSE). Now, pursuant to a Scheme of Arrangement to demerge an undertaking i.e. 'Recycled compounds and Trading Division' (Demerged Undertaking) of **M/s Vikas Ecotech Limited (Demerged Company)** is proposed to be Demerged into **Vikas Multicorp Limited (Resulting Company)** pursuant to Section 230 read with Section 232 of the Companies Act, 2013.
2. The Valuation & Share Entitlement for the proposed "Scheme of Arrangement" for demerger has been determined by, **M/S SANJEEV JAGDISH CHAND & ASSOCIATES, Chartered Accountants** vide their Valuation Report dated 29th May, 2017.
3. In accordance with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as "listing regulations") read with SEBI Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017 ('Circular') 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.
4. With reference to the above, we, **Corporate Professionals Capital Private Limited, a SEBI Registered Merchant Banker**, have been appointed by the Demerged Company, to provide the "Fairness Opinion" on the same.



BRIEF ABOUT COMPANIES

1. **'Vikas Ecotech Limited' or 'VEL' or 'Demerged Company'** bearing CIN L65999DL1984PLC019465 is a widely held listed company, originally incorporated as Vikas Leasing Limited on 30th November, 1984 in accordance with the provisions of the Companies Act, 1956. Subsequently, the name of the company changed to Vikas Profin Limited and Registrar of Companies National Capital Territory of Delhi and Haryana has issued fresh certificate of incorporation on 7th January 2002. Thereafter again, the name of the Company changed to Vikas Global one Limited and Registrar of Companies National Capital Territory of Delhi and Haryana have issued a fresh certificate of incorporation on 31st December, 2008. The Company again change its name to existing name i.e. Vikas Ecotech Limited and a fresh certificate of incorporation has been issued by Registrar of Companies National Capital Territory of Delhi and Haryana on 21st October, 2015. The registered office of the Demerged Company is situated at 34/1 Vikas Apartments east Punjabi Bagh, Delhi 110 026, India.

The Company is a widely held listed company having its equity shares listed at 'BSE Limited' (BSE) and National Stock Exchange of India Limited (NSE).

The Company is engaged in the business of manufacturing of Speciality chemical products used in Agricultural Pipes, Auto Parts, Wires and Cables, Artificial Leather, Footwear, Organic Chemicals, Polymers, Pharmaceuticals and Packaging industries.. Its manufacturing plants are in the state of Jammu and Kashmir and Rajasthan.

2. **Vikas Multicorp Limited or 'VML' or 'Resulting Company'** bearing CIN U25111DL1995PLC073719 is an unlisted company originally incorporated as Akshatha Management Consultant Private Limited on 9th November, 1995 in accordance with the provisions of the Companies Act, 1956. Subsequently the name of the company has been changed to Akshatha Services Private Limited and Registrar of Companies National Capital Territory of Delhi and Haryana has issued a fresh certificate of incorporation on 29th May, 2001. Thereafter again, the name of the Company changed to Moonlite Technochem Private Limited and Registrar of Companies National Capital Territory of Delhi and Haryana have issued a fresh certificate of incorporation on 29th December, 2008. The Company subsequently converted into public limited company and upon conversion of private into public the name of the company changed to Moonlite Technochem Limited and a fresh certificate of incorporation have been issued by Registrar of Companies National Capital Territory of Delhi and Haryana on 1st November, 2016. The Company again change its name to existing name i.e. Vikas Multicorp Limited and a fresh certificate of incorporation has been issued by Registrar of Companies National Capital Territory of Delhi and Haryana on 24th



January, 2017. The registered office of the Resulting Company is situated at G-1, 34/1, East Punjabi Bagh, New Delhi 110 026, India.

The Company is engaged in the business of trading of various Chemicals Compounds, Polymers, PVC Resins, Plastic granules, items related to Plastic industry etc.

KEY FACTS & KEY EXTRACTS OF THE SCHEME

- Vikas Ecotech Limited ('VEL' or 'Demerged Company') has two core business verticals viz. High Value "Specialty Chemicals Business (Remaining Business) and another is the High Volume 'Recycled Compounds and Trading Division' (Demerged Undertaking). Both the verticals have their own strengths and dynamics but the nature of businesses of the two verticals are unconnected and distinct. It is being felt that each of the business vertical has the potential of being developed into a parallel, scalable and independently profitable business but, requires focused management and long-term business plan. Thus, the management was contemplating the segregation of the two verticals.
- Vikas Multicorp Limited ('VML' or 'Resulting Company') is a group company and a part of the promoter group of Vikas Ecotech Limited (VEL or Demerged Company). The business of Resulting Company is similar to the business of the Demerged Undertaking. Hence in order to unlock the true value of each of the business verticals and achieve prosperity in each segment, the management of both the companies have decided to Demerge the 'Recycled compounds and Trading Division' of VEL and into with VML. This would enable the VML and VEL both to gain economies of scale and unify shareholder interests and eliminate any conflict of interests. Both the businesses would have separate and different sets of management, staff and facilities – each of which would be designed in alignment with its own business needs.
- The dynamic and diversified nature of the industry in which the Company operates and external factors including performance of financial markets, exchange or interest rate fluctuations, business environment and government policies etc. have varied effects on the growth prospects of different verticals of the Company. Thus, the Demerged Company would be able to revise its business plans and priorities from time to time thereby, ensuring speedy and profitable growth of the Company and enhance shareholder's wealth.
- Further, economic environments, capital market dynamics, the investors' community for the two divisions i.e. the high value 'Specialty chemicals' and high volume 'Recycled Compounds and Trading Division' are different. Thus, to ensure better focus of management for the growth of both the divisions, to create independent legal entities for each division, to enable each of the businesses to achieve One thousand crores topline in their own sphere of operations the Board of Directors of both Companies are of the opinion that Scheme of Arrangement/ Demerger of 'Recycled Compounds and Trading Division' from Demerged Company into with Vikas Multicorp Limited (Resulting Company) would be beneficial to the shareholders, creditors, employees and all the stakeholders at large.



- The proposed reconstruction will add better value to the businesses and create fresh opportunities as under :
 - Resulting Company will be able to focus on high volume 'Recycled Compounds and Trading Division' (Demerged Undertaking);
 - Demerged company will be able to focus on high value Specialty chemicals (Remaining Business) and other residuary business;

Further, the listing of the equity shares of Resulting Company on the stock exchanges on which shares of the Demerged Company are listed would help the shareholders of Demerged Company to unlock the value of their shares.

VALUER ANALYSIS

To determine the share entitlement to the shareholders of "VEL", the Valuer has specifically relied upon the following documents

- a. Management Certified Balance Sheet & Profit and loss statement for the period on 31st March, 2017 of "VEL".
- b. Management Certified Balance Sheet & Profit & Loss statement for the period ending on 31st March, 2017 of "VML"
- c. Management Certified Division wise Balance sheet of "VEL" as on 31st March, 2017.
- d. Management Certified changes in capital structure of "VML" as on 25th May, 2017.
- e. Draft Scheme of Arrangement.

VALUER APPROACHES TO VALUATION**ADJUSTED BOOK VALUE METHOD:-**

Book Value Method (BV) 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 as well as this method is suited for companies having common management and shareholders as in case of group consolidation no assets or liabilities are moving outside the group.

Adjusted Book Value Methodology is distinguished from Book Value Methodology as it involves a determination of fair market value of assets and liabilities on basis of going concern.

COMPARABLE COMPANIES METHOD APPROACH

Comparable Company Market Multiple uses the valuation ratio of a publicly traded company and applies that ratio to the company being valued. The valuation ratio typically expresses the valuation as a function of a measure of financial performance or Book Value (e.g. Revenue, EBITDA, EBIT, Earnings per Share or Book Value). A key benefit of Comparable Company Market Multiple 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. To arrive at the value of equity shares, the valuer has considered the EBITDA as provided in the management certified financials for the financial year ended on 31st March, 2017 and multiplied it with the average EBITDA Multiple of listed peer companies as on 31.03.2017 after considering appropriate discount on account of lack of marketability (DLOM) and size and made adjustments of Cash and Debt.

1. **M/s Vikas Multicorp Limited**, is an unlisted company and controlled by same promoter. The Company is engaged in the business of trading of various Chemicals Compounds, Polymers, PVC Resins, Plastic granules, items related to Plastic industry etc. The business of the company is similar to the business in which Demerged Undertaking is functioning. To arrive at the value of equity shares of the VML, the valuer have applied adjusted NAV Method and Comparable Companies Multiple Methodology based on EV/EBITDA multiple.

Valuation based on Adjusted Book Value Methodology - Vikas Multicorp Ltd.	
As on 31.03.2017	
Particulars	All Amount in INR Crores
Share Capital*	42.48
Reserves & Surplus	10.92
Add: Appreciation in value of Investment made in Vikas EcoTech Limited#	37.04
Net Asset Value	90.43
No. of Equity Shares	424,761,960
Value per Equity Share	2.13

**The no of shares and share capital is considered after taking into account post balance sheet event i.e. split of shares and issue of Bonus shares on 15th May, 2017 and 19th May, 2017 respectively.*

#Fair Market Value of VEL has been computed based upon higher of 26 weeks and 2 weeks VWAP till 31st March, 2017

Valuation based upon Comparable Companies Multiple Methodology - - Vikas Multicorp Ltd.	
Valuation based on EV/EBITDA	
	All Amount INR Crores
EBITDA for the period ending 31.03.2017	2.82
Adjusted EV/EBITDA Multiple as on the date of Valuation	8.26
Enterprise Value of the Company	23.27
Less: Debt as on 31.03.2017	17.45
Add: Cash & Cash Equivalents as on 31.03.2017	1.44
Add: Fair Value of Investment made in Vikas EcoTech Limited#	71.37
Equity Value	78.63
No. of Equity Shares	424,761,960
Value per Equity Share	1.85

#Fair Market Value of VEL has been computed based upon higher of 26 weeks and 2 weeks VWAP till 31st March, 2017

Computation of Fair Value of Equity Shares of Vikas Multicorp Limited

Computation of Fair Value of Equity Shares of Vikas Multicorp Limited			
All Amounts INR Crores			
Methodology Applied	Weight	Equity Value	Weighted Average Equity Value
NAV	1	90.43	90.43
CCM	1	78.63	78.63
Weighted Average Equity Value			84.53
No. of Equity Shares			424,761,960
Value per Equity share (INR)			1.99

2. **M/s Vikas Ecotech Limited** is a widely held listed company having two business undertaking one is Specialty chemicals (Remaining Business) and another is 'Recycled compounds and Trading Division' (Demerged Undertaking). Both the divisions are running successfully and established themselves in the market. The valuer has represented to us that looking into the business model, they have carried the valuation of the 'Recycled compounds and Trading Division' (Demerged Undertaking) of the Demerged Company as per Adjusted Book Value & Comparable Companies Multiple methodology This Demerged Undertaking is engaged in Trading and Manufacturing activities. Trading business is similar to the business of Vikas Multicorp Limited. After considering the economical and industrial factors we have given appropriate EV/EBITDA multiple to Manufacturing and Trading business.

Valuation based on Book Value Methodology - Vikas Ecotech Limited – Demerged Undertaking	
As on 31.03.2017	
Particulars	All Amount in INR Crores
Book Value of Assets	69.51
Book Value of Liabilities	39.94
Shareholders Fund / Net worth	29.57

Valuation based on EV/EBITDA-Demerged Undertaking		
All Amount INR Crores		
Particulars	Trading	Manufacturing
EBITDA	0.64	6.48
Adjusted EV/EBITDA Multiple as on the date of Valuation	8.26	10.15
Enterprise Value of Division	5.30	65.74
Enterprise Value of Business Undertaking	71.04	
Less: Debt as on 31.03.2017	22.32	
Add: Cash & Cash Equivalents as on 31.03.2017	5.00	
Add: Surplus investment	2.69	
Equity Value	56.42	

Fair Value of Equity Shares of Vikas Ecotech Limited-Demerged Undertaking			
All Amount INR Crores			
Methodology Applied	Weight	Equity Value	Weighted Average Equity Value
NAV	1	29.57	29.57
CCM	1	56.42	56.42
Weighted Average Equity Value			42.99

Share Entitlement-

Valuation Approach	Vikas Multicorp Ltd		Vikas EcoTech Limited	
	Equity Value	Weight	Equity Value	Weight
Asset Approach	90.43	1	29.57	1
Market Approach	78.63	1	56.42	1
Relative Equity Value	84.53		42.99	
Less: Value of investment made by VML into VEL	-		6.32	
Adjusted Relative Equity Value	84.53		36.67	
No. of Equity Shares	424,761,960		-	
Value per Equity Share	1.99		-	
Shares to be issued pursuant to Demerger of undertaking into VML			184,264,921	
Recommended shares to be issued pursuant to demerger of an undertaking into VML*			238,733,535	

** The above recommended shares to be issued is reasonable after considering the fact that the public shareholders of Listed Company hold majority stake in comparison to the shares held by Promoters and Promoters Group. Thus, issuing shares in consideration more than the shares as determined for share entitlement would not be detrimental to the public shareholders.*

CONCLUSION & OPINION

- With reference to above and based on information provided by the management/ "Valuer" of the entities forming part of the Merger and after discussions with the management/"Valuer", we understand that the proposed scheme of Arrangement for Demerger has been structured to consolidate the similar line of business at one place and unlock the value of shares of the Demerged Company. Pursuant to the scheme of arrangement the shares of the Resulting Company will be listed on the same stock exchange on which shares of the Demerged Company are listed.
- We are given to understand that post demerger the entitlement of equity shares to the promoters of "VML" would be maximum permissible shareholding limit i.e. 75% or any other specified percentage as may be permissible under provisions relating to minimum public shareholding prescribed under the Securities Contracts (regulation) Act, 1956 and public shareholding would be 25% in the listed Resulting Company.
- Accordingly, after considering the fact that the public shareholders of Listed Company hold majority stake in comparison to the shares held by Promoters and Promoters Group, recommended shares to be issued pursuant to demerger of undertaking into VML are 238,733,535.
- "Subject to above read with the caveats as detailed later, we as a Merchant Banker hereby certify that pursuant to SEBI Circular no CFD/DIL3/CIR/2017/21 dated March 10, 2017 ('Circular') we have reviewed the Share Entitlement Report of the Valuer **M/s SANJEEV JAGDISH CHAND & ASSOCIATES, Chartered Accountants** for the proposed Demerger of Recycled compounds and Trading Division' (Demerged Undertaking) of the Vikas Ecotech Limited (Demerged Company) into Vikas Multicorp Limited and considered the share entitlement ratio of **1 (One) Equity Shares of Re. 1 (Rupee One) each at par in Resulting Company for every 1 (One) Equity Shares of Re. 1 (Rupee One) held in Demerged Company, as fair and reasonable to the equity shareholders of the 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 carried for determination of shares entitled. 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 neither have conducted an audit or due diligence.
- 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 Vikas Ecotech Limited or M/s Vikas Multicorp 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 Vikas Ecotech Limited or M/s Vikas Multicorp 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. 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 share entitlement report dated 29.05.2017 for valuation based as at 31st March, 2017.
- The Fairness Opinion provided by us should not be construed as a legal opinion on the Petition to be filed u/s 230-232 of the Companies Act, 2013 and other applicable provisions of the Companies Act, 2013.
- Our report is not, nor should it be construed as our opining or certifying the compliance of the proposed Scheme of Arrangement for Demerger 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 Demerger.