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(4)

VALUATION

OF

VIKRAM THERMO (INDIA) LIMITED

('DEMERGED COMPANY' OR 'VIKRAM THERMO')

&

VIKRAM AROMA LIMITED

('RESULTING COMPANY' OR 'VIKRAM AROMA')

TO

REPORT

REASONABLENESS EQUITY SHARE ENTITLEMENT RATIO

IN MATTER

OF

PROPOSED SCHEME OF DEMERGER

PINAKIN SHAH REG. NO. IBBI/RV/05/2019/10728

Prepared By:

PINAKIN SHAH

REGISTERED VALUER

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OFF S.G.HIGHWAY,

MAKARBA, AHMEDABAD-380051.

For, VIKRAM THERMO (INDIA) LTD.

MANAGING DIRECTOR

VIKRAM THERMO (INDIA) LTD. AHMEDABAD

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I. APPOINTING AUTHORITY AND OBJECTIVE

We refer the engagement letter dated August 13th, 2022 issued by **Vikram Thermo (India) Limited ('Vikram Thermo' or 'Demerged Company')** and **M/s Vikram Aroma Limited ('Vikram Aroma' or 'Resulting Company')** to determine the fair value of the business of demerged and resulting company and to report on reasonableness of Equity Share entitlement ratio proposed by the management for the proposed demerger of 'Aromatic Chemicals Business' (hereinafter referred to as 'Demerged Business' or Unit II) of Vikram Thermo into Vikram Aroma as a part of Scheme of Arrangement with effect from Appointed date, i.e. August 13 , 2022 or such other date as may be approved by the Hon'ble National Company Law Tribunal (NCLT).

Equity Share entitlement ratio is the number of shares of Resulting Company, that a shareholder of the Demerged Company would be entitled to in proportion to the existing shareholding in the Demerged Company.

This report sets out our scope of work, background, source of information, procedures performed by us, and our recommendation of the share entitlement ratio for the 'Proposed Demerger' together with the description of the methodologies used and limitations on our scope of work.

II. SCOPE AND PURPOSE OF ENGAGEMENT

This transaction is proposed under a Scheme of Arrangement under Section 230 read with other applicable provisions of the Companies Act, 2013, as may be applicable, (the "Scheme"). As per the Scheme, the Resulting Company will issue its shares to the shareholders of the Demerged Company as a consideration for the demerger. This report provides an opinion on the reasonableness of the share

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entitlement ratio for the proposed Demerger. As such the report is to be read in totality and not in parts, in conjunction with the relevant documents referred to therein.

This Report is being issued under SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 read with SEBI Master Circular SEBI/HO/CFD/DIL1/CIR/P/2020/249 dated December 22, 2020, SEBI Circular SEBI/HO/CFD/DIL1/CIR/P/2021/665 dated November 23, 2021, as amended time to time.

III. KEY ELEMENTS OF VALUATION EXERCISE

CONDITIONS

1) During the preparation of this report we have assumed that financial statements are true and accurate. The financial information presented in this report includes normalization adjustments made solely for the purpose to arrive at value conclusions presented in this report.
2) Because of the limited purpose as mentioned in the report, it may contain departures from generally accepted accounting principles prevailing in the country. Normalization adjustments as reported are hypothetical in nature and are not intended to present restated historical financial results or forecasts of the future.
3) This report is performed on a restricted report.

This Report and the information contained herein are absolutely confidential and are intended for the use of the Companies only for submitting to the statutory authorities for compliance under sections 230 to 232 and other applicable provisions of the Companies Act, 2013 and applicable provisions and circular issued by Securities and Exchange Board of India ('SEBI') applicable to a scheme of arrangement. The results of our valuation analysis and our Report cannot be used or relied by the Companies for any other purpose or by any other party for any purpose whatsoever.

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To the extent mandatorily required under applicable laws of India, this Report maybe produced before judicial, regulatory or government authorities, in connection with the Proposed Demerger. We are not responsible to any other person or party, for any decision of such person or party based on this Report. If any person/ party (other than the Companies) chooses to place reliance upon any matters included in the Report, they shall do so at their own risk and without recourse to us.

4) We conducted interviews with the management team. The analysis is carried out on the basis of information and documents collected till the report date.
5) We have made certain assumptions in relation to facts, conditions or situations affecting the subject of, or approach to, this exercise that has not been verified as part of the engagement rather, treated as "a supposition taken to be true". If any of these assumptions prove to be incorrect then our estimate on value will need to be reviewed.
6) The Management has informed us that there would be no significant variation between the draft Scheme and the final scheme approved and submitted with the relevant authorities.

IV. VALUATION DATE

01/07/2022

V. PROFILE AS ON VALUATION DATE

Demerged Company / Vikram Thermo

1) Name

Vikram Thermo (India) Limited is a public limited company incorporated on 11/03/1994 under the Companies Act, 1956 (Now repealed and replaced with the Companies Act, 2013) having CIN: L24296GJ1994PLC021524, The equity shares of the Demerged Company is listed on BSE limited ("BSE").

2) Registered office

A/704-714, The Capital, Science City Road, Ahmedabad, GJ - 380060 IN.

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3) Board of Directors & KMP

DIN	Full Name	Designation
00044241	Chimanbhai Khodidas Patel	Wholetime Director
00044350	Dhirajlal Karsanbhai Patel	Managing Director
00044460	Bharatbhai Manubhai Shah	Director
00044557	Thakarshibhai Maganlal Patel	Director
00064185	Ketan Chimanlal Patel	Director
02583348	Dineshkumar Harjivanbhai Patel	Wholetime Director
03056403	Vipulkumar Vitthalbhai Patel	Director
06950180	Alpaben Alpeshbhai Patel	Director
07395218	Ankur Dhirajlal Patel	Wholetime Director
07395238	Shaileshkumar Prahladbhai Patel	Director
ACNPS4445A	Maheshkumar Kantilal Shah	Company Secretary
AACPF8230F	Motibhai Devabhai Fosi	CFO(KMP)

4) Business Activity

From the valuation date, the Company is engaged in the business of Pharma polymers for Enteric coating, Protective coating, Taste Masking and Sustained Release formulation having water base drug coat Production Capacity of 700 MT/month for liquid, 100 MT/month for powder & 200 MT/month for ready mix powder and herein after referred as Unit I.

Industry information:

According to the market research report "Tablet Coatings Market by **Polymer (Cellulosic, Vinyl, Acrylic), Functionality (Delayed Release, Sustained Release), Type (Sugar Coated, Film Coated, Enteric Coated), End User (Pharmaceutical, Nutraceutical), COVID-19 Impact - Global Forecast to 2025**", published by MarketsandMarkets™, the Tablet Coatings Market is projected to reach USD 969 million by 2025 from USD 739 million in 2020, at a CAGR of 5.6% during the forecast period.

The Pharmaceutical coating market, by end-user, is segmented into pharmaceutical and nutraceutical industry. The pharmaceutical industry

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segment accounted for the largest market share in 2019. The demand for tablet coatings in the pharmaceutical industry is largely driven by the increasing number of drugs launched as tablet formulations and growing prevalence of diseases for which tablet-based formulations form the primary treatment. The rising demand for innovative drug delivery formulations is also supporting the growth of the tablet coating market for the pharmaceutical industry.

Tablet Coatings - Industry Drivers

- Growth in modified release technologies
- Market is driven by demand from oral solid dosage forms, such as sustained, enteric and immediate release tablets
- The modified release market is expected to grow at a CAGR of 6-7 percent until 2022

  Pharmaceutical tablets coatings
- There is a growing demand for pharmaceutical tablet coatings, which currently accounts for about 70 percent and is expected to drive the tablet coatings market

  Demand for pigmented film coatings
- Demand for pigmented film coatings is growing mainly due to its application in the prevention of counterfeit drugs. Also, the visual differentiation of products helps in enhanced brand recognition

Tablet Coatings - Industry Constraints

Fluctuating raw material cost

- Pricing risk exists as the prices fluctuate for different raw materials, which has a negative impact on the coatings market

  Consolidated market
- The supply base for tablet coatings is consolidated resulting in a low negotiation power for buyers

  Need for coatings technology and Quality by design

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- High expectations of different coatings technology and US FDA requirement for quality by design from pharmaceutical and nutraceutical industries, have led to an innovation driven market, in turn making it difficult for new players to enter Some of the applicators and manufacturers in India.

Company	Address	Type of Tablet Coating
Colorcon Asia Pvt. Ltd.	Plot Nos. M14 – M18, Verna Industrial Estate, Goa – 403722 – India	Film coating, nutritional coatings, excipients, controlled release tablets
Corel Pharma Chem	Nr. Railway Crossing, Thol Road, Kadi, Mehsana, Gujarat - 382715 – India	Film coating, enteric coating, sustained release coating, taste making coating
Excellent Pharma Care	34, Ground Floor Ansal Majestic Tower, PVR Complex, Vikaspuri, New Delhi – 110018 – India	Film coating, enteric coating, moisture barrier coating
Win coat Colours and Coatings Pvt. Ltd.	S-2/152, Vedant Commerical Complex, Pokhran R. No.1, Vartak Nagar, Thane, Maharashtra – 400606, India	Enteric coating, moisture protection coating, film coating, aqueous coating

5) Capital structure

Authorised Share Capital

3,20,00,000 Equity Shares of Rs.10/- each	Rs. 32,00,00,000 /-

Issued, Subscribed and Paid-up Share Capital

3,13,57,850 Equity Shares of Rs.10/- each	Rs. 31,35,78,500 /-

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We have been informed that after the above date and till the date of this Report, there has been no change in the authorized, issued, subscribed and paid-up capital of the Demerged Company.

The equity shares of the Demerged Company are listed on the BSE Limited.

6) Shareholding Pattern (as provided to BSE) as on June 30, 2022

Category of shareholder	No. of shareholders	Total no. shares held	%
Promoter & Promoter Group A	**27**	**2,05,63,635**	**65.58**
Public B	**11,821**	**1,07,94,215**	**34.42**
i. Individual share capital upto Rs. 2 Lacs	11,394	67,47,954	21.52
ii. Individual share capital in excess of Rs. 2 Lacs	52	22,33,584	7.12
iii. Bodies Corporate	36	2,06,648	0.66
iv. Clearing Members	24	63,350	0.20
v. Non-Resident Indian (NRI)	142	4,86,574	1.55
vi. IEPF	1	3,99,255	1.27
vii. HUF	172	6,56,850	2.09
Total A+B	**11,848**	**3,13,57,850**	**100**

RESULTING COMPANY / VIKRAM AROMA

1) Name

Vikram Aroma Limited is a public limited company incorporated on 17/03/2021 under the Companies Act, 2013 having CIN: U24296GJ2021PLC121253, the equity shares of the Resulting Company are currently not listed on any stock exchange.

2) Registered office

A/704-714, The Capital, Science City Road, Ahmedabad, GJ - 380060 IN.

3) Board of Directors

DIN	Full Name	Designation
00044350	Dhirajlal Karsanbhai Patel	Director
02583348	Dineshkumar Harjivanbhai Patel	Director
07395218	Ankur Dhirajlal Patel	Director

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4) Business Activity

From the valuation date, the business of Aromatic Chemical / Diphenyl Oxide (used as Perfumery Stabilizer and for manufacturing Heat Transfer Fluid) having Production Capacity of 300MT/month will be the business activity and herein after referred as Unit II.

Industry information:

The DPO market can be segmented into heat transfer fluids, fragrance materials, and flame retardants. DPO is primarily employed in perfumes and fragrances. Perfumes and fragrances are used in cosmetics, soaps, detergents, and personal care products. This is driving the market for DPO. Properties of DPO that make it suitable for usage in perfumes and fragrances are low reactivity, low polarity, high solvency, pleasant odor, high thermal stability, high boiling point, and high purity. Manufacturers of soaps, detergents, and personal care products are using DPO as the primary ingredient of fragrance due to its lower prices.

5) Capital structure

Authorised Share Capital	
40,00,000 Equity Shares of Rs.10/- each	Rs. 4,00,00,000 /-
Issued, Subscribed and Paid-up Share Capital	
70 Equity Shares of Rs.10/- each	Rs. 700/-

The equity shares are not listed on any stock exchanges.

We have been informed that after the above date and till the date of this Report, there has been no change in the issued, subscribed and paid-up capital of the Resulting Company except authorized capital of the company increased from Rs. 3,00,00,000/- to Rs. 4,00,00,000/- on 30/08/2022.

6) The equity shareholding as at the report date is set out below:

Sr. No.	Name of Shareholders	No. of shares	Percentage of holding
1.	Ankur Dhirajlal Patel	10	14.29
2.	Dineshkumar Harjivanbhai Patel	10	14.29
3.	Dhirajlal Karsanbhai Patel	10	14.29
4.	Alpaben Alpeshbhai Patel	10	14.29
5.	Chimanbhai Khodidas Patel	10	14.28

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6.	Shaileshkumar Prahladbhai Patel	10	14.28
7.	Vikalp Dhirajlal Patel	10	14.28
	TOTAL	70	100.00%

VI. SOURCE OF INFORMATION RELIED UPON

A. **Company specific information:**

- Memorandum and Articles of Association
- Audited financial statements of demerged company for the year ended 31 March, 2018, 31 March 2019, 31 March 2020, 31 March 2021 & 31 March 2022;
- Provisional financial statement of demerged company as on 30th June 2022, which is certified by the management and limited reviewed by statutory auditor of the company.
- Audited financial statement of resultant company for the year ended 31 March, 2022 & Provisional financial statement as on 30th June 2022, which is certified by the management and limited reviewed by statutory auditor of the company.
- Income Tax Return for previous three years;
- Shareholding pattern;
- Draft scheme of arrangement for demerger;
- Plant & Machinery valuation report issued by IBBI Registered Valuer, Mr Yogendra Pandya;
- Real Estate valuation report issued by IBBI Registered Valuer, Mr Parag Sheth.

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.

Our conclusions assume that the Demerged Company and the Resulting Company comply fully with the relevant laws and regulations applicable in all its areas of operations unless otherwise stated. Further, except as specifically stated to the contrary, this report has given no consideration to

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mailers of legal nature, including issues of legal title and compliance with local laws, and litigation and other contingent liabilities that are not recorded in audited carved out balance sheet of Demerged Company.

VII. VALUATION BASE

We have applied following as valuation base which are appropriate for the intended purpose of the valuation.

a) highest and best use;

Highest and best use is the use, from a participant perspective, that would produce the highest value for an asset. Although the concept is most frequently applied to non-financial assets as many financial assets do not have alternative uses, there may be circumstances where the highest and best use of financial assets needs to be considered. The highest and best use must be physically possible (where applicable), financially feasible, legally allowed and result in the highest value. If different from the current use, the costs to convert an asset to its highest and best use would impact the value.

b) as is where is value;

Current use/existing use is the current way an asset, liability, or group of assets and/or liabilities is used. The current use may be, but is not necessarily, also the highest and best use.

VIII. STANDARD AND PREMISE OF VALUE

This report relies upon the use of fair value as the standard of value. For the purposes of this appraisal, fair value is as defined under International Valuation Standards, 2022 (IVS).

The analysis was performed under the premise of value in continued use as a going concern business enterprise. In our opinion this premise of value represents the highest and best use of the subject business assets.

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The Report is based on IVS, However as noted in IVS framework, the Valuer needs to follow regulatory or other legal requirements even though they defers form requirements of IVS, such valuation is considered as performed in overall compliance with IVS.

IX. BACKGROUND INFORMATION OF ASSETS BEING VALUED

The fair value of equity shares of the Demerged and Resulting Company to carry out an independent assessment of the entitlement for the proposed arrangement in the nature of demerger of Demerged with Resulting Company.

There is no Regulatory Advisory on determination of share entitlement ratio under demerger / amalgamation.

As per the Scheme, the Unit II is business proposed to be demerged from Demerged Company into Resultant Company and that the demerged Company has identified all the assets and liabilities which are to be taken over by and transferred to the resultant Company. We understand that, upon the scheme being effective, all the equity shareholders of Demerged Company would also become the shareholders of the Resultant Company.

X. VALUATION METHODOLOGY AND APPROACH

There are three fundamental ways to measure the value of a business or professional practice:

a) Market approach.

b) Cost approach.

c) Income approach.

Under each approach, a number of methods are available which can be used to determine the value of an equity share. Each business valuation method uses a specific procedure to calculate the business value.

a) Market approach;

Under the Market Approach to business valuation, one consults the market place for indications of business value. Most commonly, sales of similar

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businesses are studied to collect comparative evidence that can be used to estimate the value of the subject business. This approach uses the economic principle of competition which seeks to estimate the value of a business in comparison to similar businesses whose value has been recently established by the market.

The business valuation methods under the Market Approach are:

i. Comparative private company transaction method.

ii. Comparative publicly traded company transaction method.

b) Cost approach

The value arrived at under this approach is based on the audited financial statements of the business and may be defined as Shareholders' Funds or Net Assets owned by the business. The balance sheet values are adjusted for any contingent liabilities that are likely to materialize and valuing an asset based on the cost that a market participant shall have to incur to recreate an asset with substantially the same utility (comparable utility) as that of the asset to be valued, adjusted for obsolescence.

c) Income Approach

The methods under the Income Approach include:

- Capitalization of earnings method.
- Discounted cash flow method.
- The methods which rely upon a single measure of business earnings are referred to as direct capitalization methods. Those methods that utilize a stream of income are known as the discounting methods. The discounting methods account for the time value of money directly and determine the value of the business enterprise as the present value of the projected income stream.
- The Income Approach to business valuation uses the economic principle of expectation to determine the value of a business. To do so, one estimates the future returns the business owners can expect to receive from the subject business. These returns are then matched

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against the risk associated with receiving them fully and on time. The returns are estimated as either a single value or a stream of income expected to be received by the business owners in the future. The risk is then quantified by means of the capitalization or discount rates. Therefore we have used this approach for valuation of Transferor Company.

XI. VALUATION PROCEDURE

a) Market Approach

- The demerged company is listed entity having multiple business and we did not come across peer company having similar size and business mix.
- The proposed de-merger involves restructuring of business under common management having mirror shareholding pattern;
- The shares of demerged entity are not frequently traded, Regulation 164 of the SEBI circular no SEBI/LAD-NRO/GN/2018/31 dated September 11, 2018 not applicable.

Hence we have not applied this approach to determine value of the equity shares for recommendation of the share entitlement for the 'Proposed Demerger'.

b) Cost Approach

To estimate the value under this Approach, this report uses fair value of the net tangible assets method. For the purposes of this report, the net tangible assets are determined as the difference between the total assets of the business and its liabilities.

The following is audited balance sheet as on 30/06/2022 of Unit-1 / Pharma Polymer Business of Demerged Company.

Rs in Lakh

Balance Sheet Items	Recorded	Adjustments	Adjusted
Assets			
Total Current Assets	4581.88	0.00	4531.09
Net Fixed Assets	3632.85	1412.52	5045.37
Total Assets	**8214.73**	**1412.52**	**9627.25**

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Liabilities			
Total Current Liabilities	2176.19	-396.35	1779.84
Total Long-term Liabilities	829.21	0.00	829.21
Total Liabilities	**3005.40**	**-396.35**	**2609.05**
Net Worth / Fair Value	**5209.33**	**1808.87**	**7018.20**

Adjustment:

Balance sheet value of assets adjusted by market value of Real estate and Plant & Machinery; liabilities adjusted by deferred tax liabilities and Income tax payable.

Fair Value of Unit – 1 / Pharma Polymer Business Rs 7018/-Lakh

The following is audited balance sheet as on 30/06/2022 of Unit-2 / Aromatic Chemical Business of Demerged Company.

Rs in Lakh

Balance Sheet Items	Recorded	Adjustments	Adjusted
Assets			
Total Current Assets	1187.77	0.00	1187.77
Net Fixed Assets	2146.24	231.39	2377.63
Total Assets	**3334.01**	**231.39**	**3565.40**
Liabilities			
Total Current Liabilities	746.57	0.00	746.57
Total Long-term Liabilities	0.00	0.00	0.00
Total Liabilities	**746.57**	**0.00**	**746.57**
Net Worth / Fair Value	**2587.44**	**231.39**	**2818.83**

Adjustment:

Balance sheet value of assets adjusted by market value of Real estate and Plant & Machinery

Fair Value of Unit – 2 / Aromatic Chemical Business Rs 2,819/-Lakh.

The resulting company is not valued as there is no business undertaken by it.

c) **Income Approach**

i. **Discounted Cash Flow method**

The demerged company has registered a growth of 14.75% CAGR during last five years with no clear trend in operating profit and net profit

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numbers. Having regard to the volatile performance in the past, the cash flows may not be consistent, as projected by the management. Further, post demerger, the demerged company has projected substantial capex and nil capex for resulting company. Hence, this method is not considered suitable to Value the business of demerged and resulting company.

ii. Capitalization of earnings method

The capitalized earnings method is classified under the income approach. This well-established method is often referred to as direct capitalization. The alternative methodology to the discounted cash flow.

Note that the business earnings here are the expected measure of income the business is likely to generate going forward. Similar to the discounted cash flow method, the capitalized earnings valuation establishes the present value based on the company's expected income.

The earning track record of the unit I for past three years and expected earning for current year, as provided, are reproduced as under:

	Historic Period			Projected
	2019-20	**2020-21**	**2021-22**	**2022-23**
Net Sales	4025.01	5649.37	6914.92	6538.64
Cost of goods sold (COGS)	1711.97	2297.82	3773.23	2406.48
Gross Profit	**2313.04**			
Total operating expenses	1472.55	1804.68	1784.21	2081.25
Operating income	840.49	840.49	1546.87	1357.48
Net pre-tax income	840.49	840.49	1546.87	1357.48
Taxes	203.63	391.34	304.59	516.21
Net Income	**636.86**	1155.53	1052.89	1534.70
EBITDA simple average	1699.56			
EBITDA weighted average	1889.75			

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The earning track record of the unit II for past three years and expected earning for current year as provided, are reproduced as under:

	Historic Period			Projected
	2019-20	2020-21	2021-22	2022-23
Net Sales	1636.62	1811.43	2418.25	3544.16
Cost of goods sold (COGS)	1091.06	1195.12	1934.56	2689.20
Gross Profit	545.56	616.31	483.69	854.96
Total operating expenses	441.46	545.27	664.63	665.23
Operating income	104.10	71.04	-180.94	189.73
Net pre-tax income	104.10	71.04	-180.94	189.73
Taxes	26.20	17.88	0.00	47.76
Net Income	77.90	53.16	-180.94	141.97
EBITDA, simple average	125.32			
EBITDA weighted average	134.49			

Since there is earning track record and visibility for the near to long term, this method is considered as an appropriate method.

The capitalized earnings valuation means that a single divisor, known as the capitalization rate representing business risk, is applied to a measure of business earnings. This single division calculation produces an indication of business value. Just like with any other income-based valuation method, the business value is determined from the assessment of the company's earning power and risk.

In essence, this valuation method works as follows:

a) Projected business earnings as a single number that goes into the numerator of the calculation. We have chosen a weighted average of the past income stream; Based on projections by the management, the maintainable EBITDA for unit I and II are taken as under:

UNIT I	UNIT II
Rs 1889.75 Lakh	**Rs 134.49 Lakh**

b) Calculated the present value of this earnings amount by dividing it by a capitalization rate. Capitalisation rate is difference of cost of equity

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MANAGING DIRECTOR

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less projected growth rate.

The cost of equity is considered for arriving at the present value of earning of the Company. Normally **Ke** is arrived by following CAPM formula:

$$E(R_i) = R_f + B_i\,[E(R_m) - R_f]$$

$E(R_i)$	=	Capital asset expected return
R_f	=	Risk-free rate of interest
B_i	=	Beta
$E(R_m)$	=	Expected return of the market

Discount Rate

The cost of equity is considered for arriving at the present value of cash-flows of the Company. The discount factor takes into account cost of equity, arrived as under:

a) Risk free return

10-year bond yield as on Valuation date is 7.45%

Dat0e	Open	High	Low
June 30, 2022	7.450	7.455	7.417

Source: investing.com

b) Premium for Equity Investment

We went through on research on the equity risk premium (ERP) done by Incwert India available at http://www.incwert.com

The study focusses on quantitative analysis to derive the current equity risk premium under different approaches including a) historical premium, b) survey approach, c) country bond default spread approach, d) country bond default spread approach adjusted for relative country risk, e) domestic market volatility relative to a developed market, f) and implied equity risk premium.

- Historical premium

  Arithmetic mean

  Based on our analysis, we observe that the equity market in India has delivered an average return of 19.6% (based on Sensex) and

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VIKRAM THERMO (INDIA) LTD. AHMEDABAD

19.1% (based on NIFTY50) over the period 1991 to 2021, which is significantly higher when compared to the average return on treasury bond (10.4%) or bill (8.2%) over the same period. High equity return, however, comes with a burden of higher volatility of 32% and a wide range in the distribution of returns.

The equity risk premium, calculated as a difference between the average returns on stock (based on Sensex) and the average returns on treasury bill for the period 1991 to 2021 is 11.4%. The difference between the average returns on stock and average returns on treasury bond over the period 1991 to 2021 is 9.2%.

These estimates are not free from noises. Given the limited coverage period of 31 years, the standard error in these estimates is high. Equity Risk Premium over the Treasury bill and bond bear high standard error of 5.7% and 5.8% respectively for Sensex returns and 5.5% and 5.6% for NIFTY50 returns.

- Gordon's growth model using dividend as a base

  We have used BSE Sensex data to derive the implied equity risk premium. As at 31 March 2022, the BSE Sensex Index closed at 58,569 points and the average long range historical dividend yield on the index was approximately 1.35%.

  The sustainable growth in dividend for companies in the index is assessed to be 12.8% based on the annual compounded growth in the dividend between 1991 and 2021. The yield on the 10-year G-sec bond was 6.8% as of 31 March 2022, the equity risk premium is accordingly estimated to be 7.5%.

- Relative approach

  ERP for India is derived by adding CDS of 99 basis points to the base ERP of 4.2% of the US market. The resultant equity risk premium for India is 5.2% in US dollar terms. After adjusting for the forward

For, VIKRAM THERMO (INDIA) LTD.

MANAGING DIRECTOR

VIKRAM THERMO (INDIA) LTD. AHMEDABAD

inflation factor, the ERP for India in INR terms is determined to be 7.1%.

c) **The Beta [B_i]**

The Beta is assumed as 1(One).

The cost of equity has been calculated at 14.75%:

ROCE (latest) 15.74
ROE (latest) 11.97

Discount Rate Element	Risk Value
Risk free rate of return	7.45
Equity Risk Premium	8.23
Equity Discount Rate, %:	15.68

Particular	Amount	% of Total	Cost, pre-tax	Cost, after-tax	Weighted Cost
Market value of equity	13170.30	88.64%	15.68%	15.68%	13.90%
Bank loan value:	1687.40	11.36%	10.00%	7.48%	0.85%
The cost of equity(Ke):					**14.75%**

a) Since business earnings may change in the future, We have adjusted the numerator by a factor representing the expected long-term earnings growth rate. The following is CAGR of demerged company.

Sales Growth (5y) 14.47%
EBIT Growth (5y) 14.75%

Source: https://www.marketsmojo.com/

In the above background and after review of industrial growth economic evaluation, the growth rate is estimated as under:

UNIT I = 9%

It has huge growth potential with high operating profit margin.

UNIT II = 1%

It operates in cut throat competition environment.

b) Capitalisation rate

UNIT I = 5.75%

UNIT II = 13.75%

For, VIKRAM THERMO (INDIA) LTD.

MANAGING DIRECTOR

VIKRAM THERMO (INDIA) LTD. AHMEDABAD

c) Economically more realistic scenario is to view the earnings as they arise throughout the year. To do this, calculation is adjusted for

d) what is known as the *mid-year convention*. The business value using the constant growth capitalization must be multiplied by the adjustment factor as follows:

$BV = E \times (1 + G) / Ke - G \times \sqrt{1 + Ke}$

E = Projected Business Earning

G = Growth Rate

Ke = Cost of equity

Under these assumptions, we arrived at the following estimate of business value:

Unit - 1 / Pharma Polymer Business

BV	35,828.88
Mid year bv = sq root of 1+Ke	1.02
Adj BV	36483.46
Fair Value of equity in Rs (BV-Liability)	**34854.90**

Unit - 2 / Aromatic Chemical Business

BV	987.85
Mid year bv = sq root of 1+Ke	1.02
Adj BV	1005.90
Fair Value of equity in Rs (BV-Liability)	**947.06**

XII. OPINION

The weightage of 60 % has been assigned to cost approach and 40 % to income approach as cost approach represents fair value of factory and its land and building and captures limitation of assumptions under income approach.

Based on the individual valuation of the Unit - 1 & Unit - 2, the overall valuation of the Demerged Company is as under:

For, VIKRAM THERMO (INDIA) LTD.

MANAGING DIRECTOR

VIKRAM THERMO (INDIA) LTD. AHMEDABAD

Computation of fair value	Demerged company			Resultant company		
	Value	Weightage	Weighted Value	Value	Weightage	Weighted Value
Market Approach	0	0	0	0	0	0
Cost Approach	7018.20	60.00%	4210.92	2818.83	60.00%	1691.30
Income Approach	34854.90	40.00%	13941.96	947.06	40.00%	378.82
Total	**41873.10**	**1.00**	**18152.88**	**3765.89**	**1.00**	**2070.12**
% share in total valuation			**91%**			**9%**
Rounded off			**90%**			**10%**

XIII. **SHARE ENTITLEMENT RATIO**

In Demerger valuation, the emphasis is on arriving at relative values of the shares of the combined entity to facilitate the determination of entitlement ratio. Hence the purpose is not to arrive at absolute values of the shares of the companies. The real objective is to have fairness to all shareholders.

Accordingly, considering the approach and the rationale for the fair equity share entitlement ratio discussed hereunder, the valuation approaches as indicated in the format (as shown below) as prescribed by circular number LIST/COMP/02/2017-18 of BSE have not been undertaken as they are not applicable in the instant case.

Computation of Fair Share Exchange Ratio:

Computation of fair value	Vikram Thermo (India) Limited		Vikram Aroma Limited	
	Value per Share (INR)	Weight	Value per Share (INR)	Weight
Asset Approach	NA	NA	NA	NA
Income Approach	NA	NA	NA	NA
Market Approach	NA	NA	NA	NA
Relative Value per Share	NA	NA	NA	NA
Exchange Ratio (Rounded off)			NA	

Taking into account the above facts and circumstance, any share entitlement ratio can be considered appropriate and fair for the Proposed Demerger as the proportionate equity shareholding of any shareholder pre-demerger and post

For, VIKRAM THERMO (INDIA) LTD.

MANAGING DIRECTOR

VIKRAM THERMO (INDIA) LTD. AHMEDABAD

demerger would remain same and not vary. The beneficial economic interest of Demerged Company shareholders in Resulting Company will remain same as at the time of demerger (pre-demerger) and hence would not have any impact on the economic interest of the shareholders of the Demerged Company. The share entitlement ratio would not have any impact on the ultimate value of the shareholders of Demerged Company and the Proposed Demerger will be value-neutral to the Demerged Company's shareholders.

The entitlement ratio as proposed by the management, for shareholders of Demerged Company, is as under:

For 10 equity shares of Rs. 10/- each held in Demerged Company, 1 (one) Equity Share of Rs. 10/- each of Resultant Company which would result into issue of 31,35,785 equity shares of Rs. 10/- each of Resultant Company to the equity shareholders of Demerged Company and thereby giving the shareholders of Demerged Company 100% equity stake post the demerger.

On a consideration of all the relevant factors and circumstances, and subject to the scope limitations listed herein, we are of the opinion that the recommended share entitlement ratio is fair and equitable from a financial perspective to the existing shareholder of Demerged Company.

XIV. DISCLOSURE OF INTEREST

We have acted as an independent third party and, as such, shall not be considered an advocate for any concerned party for any dispute. The valuation has been carried out independently to assess the valuation services. We have no present or planned future interest in the company or any of its group companies and the fee for this report is not contingent upon outcome of the transaction. Our valuation should not be construed as investment advice; specifically, we do not express any opinion on the suitability or otherwise of entering into any transaction with the company.

We have not been engaged by the Company for valuation during last five years.

For, VIKRAM THERMO (INDIA) LTD.

MANAGING DIRECTOR

VIKRAM THERMO (INDIA) LTD. AHMEDABAD

We have no responsibility to modify this report for events and circumstances occurring subsequent to the date of this report.

XV. LIMITATIONS AND DISCLAIMER

The scope of the report does not include detailed corroborative examination of the financial assertions and representation of management.

IBBI vide it circular dated 01st September, 2020 has issued a guideline on use of Caveats, Limitations and Disclaimers, accordingly following Caveats, Limitations and Disclaimers are used:

a. The information contained herein and our report is absolutely confidential. It is intended only for the sole use and information of the Company. We are not responsible to any other person/party (including allottees) for any decision of such person or party based on this report.

b. Any person intending to invest in shares/business of the company shall do so after seeking their own professional advice and carrying out their own due diligence procedures to ensure that they are making an informed decision.

   Nothing in this report should be taken to imply that we have conducted any detailed procedure, investigation in an attempt to verify or confirm any of the information given to us.

   Our valuation is subject to the following Limitations / Exclusions:

   i. This document has been prepared for the purposes stated herein and should not be relied upon for any other purpose. Our client is the only authorized user of this report and is restricted for the purpose indicated in the engagement letter. This restriction does not preclude the client from providing a copy of the report to third-party advisors whose review would be consistent with the intended use. We do not take any responsibility for the unauthorized use of this report.

   ii. As much the report is to be read in totality and not in parts in conjunction with the relevant documents referred to therein.

For, VIKRAM THERMO (INDIA) LTD.

MANAGING DIRECTOR

VIKRAM THERMO (INDIA) LTD. AHMEDABAD

iii. While our work has involved an analysis of financial information and accounting records, our engagement does not include an audit in accordance with generally accepted auditing standards of the clients existing business records. Accordingly, we express no audit opinion or any other form of assurance on this information.

iv. The user to which this valuation is addressed should read the basis upon which the valuation has been done and be aware of the potential for later variations in value due to factors that are unforeseen at the valuation date. Due to possible changes in market forces and circumstances, this valuation report can only be regarded as relevant as at the valuation date.

v. This report is issued on the understanding that the Company has drawn our attention to all material information, which they are aware of concerning their financial positions and any other matter, which may have impact on our opinion, on the fair value, including any significant changes that have taken place or are likely to take place in the financial position, subsequent to last audited balance sheet. We have no responsibility to update this report for events and circumstances occurring after the valuation date of this report.

vi. In the course of the valuation, we are provided with both written and verbal information. We have however, evaluated the information provided to us through broad inquiry, analysis and review (but have not carried out a due diligence of the Company for the purpose of this engagement). Our conclusion is based on the information given by/on behalf of the Company. However, we make no representation or warranty, express or implied, in respect of the completeness, authenticity or accuracy of such statements.

vii. We do not provide assurance on the achievability of the results forecast by the management/owners as events and circumstances do not occur as expected; differences between actual and expected results

For, VIKRAM THERMO (INDIA) LTD.

MANAGING DIRECTOR

VIKRAM THERMO (INDIA) LTD. AHMEDABAD

may be material. We express no opinion as to how closely the actual results will correspond to those projected/forecast as the achievement of the forecast results is dependent on actions, plans and assumptions of management.

viii. The actual price achieved may be higher or lower than our estimate of value depending upon the circumstances of the transaction, the nature of the business. The knowledge, negotiating ability and motivation of the buyers and sellers and the applicability of a discount or premium for control will also affect actual market price achieved. Accordingly, our valuation conclusion will not necessarily be the price at which actual transaction will take place.

ix. All the workings for valuation worked out are rounded off to the nearest rupee in Lakh.

x. We have relied on data from external sources also to conclude the valuation. These sources are believed to be reliable and therefore, we assume no liability for the truth or accuracy of any data, opinions or estimates furnished by others that have been used in this analysis. Where we have relied on data, opinions or estimates from external sources, reasonable care has been taken to ensure that such data has been correctly extracted from those sources and /or reproduced in its proper form and context.

xi. We owe responsibility to only to the authority/client that has appointed us under the terms of the engagement letters. We will not be liable for any losses, claims, damages or liabilities arising out of the actions taken, omissions or advice given by any other person. In no event shall we be liable for any loss, damages, cost or expenses arising in any way from fraudulent acts, misrepresentations or willful default on part of the client, their directors, employees.

xii. The report assumes that the company complies fully with relevant laws and regulations applicable in its area of operations and that the

For, VIKRAM THERMO (INDIA) LTD.

MANAGING DIRECTOR

VIKRAM THERMO (INDIA) LTD. AHMEDABAD

company will be managed in a competent and responsible manner. Further, as specifically stated to the contrary, this report has given no consideration to matters of a legal nature, and compliance with local laws, and litigations and other contingent liabilities that are not recorded/reflected in the balance sheet provided to us.

xiii. We are fully aware that based on the opinion of value expressed in this report, we may be required to give testimony or attend court / judicial proceedings with regard to the subject assets, although it is out of scope of the assignment, unless specific arrangements to do so have been made in advance, or as otherwise required by law. In such event, the party seeking our evidence in the proceedings shall bear the cost/professional fee of attending court / judicial proceedings and our tendering evidence before such authority shall be under the applicable laws.

xiv. Our report is meant for the purpose mentioned above and should not be used for any purpose other than the purpose mentioned therein. The Report should not be copied or reproduced without obtaining our prior written approval for any purpose other than the purpose for which it is prepared.

Date: 12/09/2022

Place: Ahmedabad

Pinakin Shah

Registered Valuer

Reg No. IBBI/RV/05/2019/10728

For, VIKRAM THERMO (INDIA) LTD.

MANAGING DIRECTOR

VIKRAM THERMO (INDIA) LTD. AHMEDABAD