

September 02, 2021

**To**  
**The Board of Directors**  
Punjab Alkalies and Chemicals Limited  
S C O 125-127 Sector 17 B  
Chandigarh U.T.  
CH 160017 India

**Subject: Merchant Banker's Fairness Opinion for Amalgamation on the proposed Scheme of Arrangement between Prayag Chemicals Private Limited and V.S. Polymers Private Limited with Punjab Alkalies and Chemicals Limited.**

We refer to our discussions wherein the management of Punjab Alkalies and Chemicals Limited (“the Transferee Company”) requested Shreni Shares Private Limited (“We”, “Our” or “Us”) in our capacity as a Merchant Banker to give a fairness opinion on the Share Exchange Ratio Report issued by Abhinav Agarwal for the proposed scheme of amalgamation between Prayag Chemicals Private Limited (Transferor Company 1) and V.S. Polymers Private Limited (Transferor Company 2) with Punjab Alkalies and Chemicals Limited under the proposed scheme of Arrangement (“the scheme”)

Trust the above meets your requirements.

Please feel free to contact us in case you require any additional information or clarifications.

Yours Faithfully,



**For Shreni Shares Private Limited**

## 1. BACKGROUND OF THE COMPANIES

### 1.1. Prayag Chemicals Private Limited:

Prayag Chemicals Private Limited ("Transferor Company 1") is a private limited company incorporated under the provisions of the Companies Act, 1956 on October 05, 1993 in the name of "Kaushico Chemical Works Private Limited". Subsequently on March 17, 1994, the name of the Transferor Company 1 was changed to "Prayag Chemicals Private Limited". The Corporate Identification Number of the Transferor Company 1 is U24119DL1993PTC125350. The Transferor Company 1 is carrying on business as manufacturers, importers and exporters of Chlorinated Paraffin (CP) (a widely used plasticizer) and Hydro Chloric Acid (HCL).

The Share Capital and Holding Structure of the Company is as follows:

Particulars	Amount (INR)
<b>Authorised Share Capital</b>	
1,00,000 Equity shares of INR 100/- each	1,00,00,000
<b>Total</b>	<b>1,00,00,000</b>
<b>Issued, Subscribed and Paid-Up Share Capital</b>	
52,326 Equity shares of INR 100/- each	52,32,600
<b>Total</b>	<b>52,32,600</b>

### 1.2. V.S.Polymers Private Limited:

V.S. Polymers Private Limited ("Transferor Company 2") is a private limited company incorporated under the provisions of the Companies Act, 1956 on November 29, 1996. The Corporate Identification Number of the Transferor Company 2 is U24119DL1996PTC083527. The Transferor Company 2 is carrying on business as manufacturers, importers and exporters of Chlorinated Paraffin (CP) (a widely used plasticizer) and Hydro Chloric Acid (HCL).

The Share Capital and Holding Structure of the Company is as follows:



Particulars	Amount (INR)
<b>Authorised Share Capital</b>	
10,00,000 Equity shares of INR 10/- each	1,00,00,000
<b>Total</b>	<b>1,00,00,000</b>
<b>Issued, Subscribed and Paid-Up Share Capital</b>	
617,670 Equity shares of INR 10/- each	61,76,700
<b>Total</b>	<b>61,76,700</b>

### 1.3. Punjab Alkalies and Chemicals Limited:

Punjab Alkalies and Chemicals Limited (hereinafter referred as “PACL” or “the Transferee Company”) is a public limited company incorporated under the provisions of the Companies Act, 1956 on December 01, 1975 in the name of “Punjab Alkalies Limited”. Subsequently on April 19, 1983, the name of the Transferee Company was changed to “Punjab Alkalies and Chemicals Limited”. The Corporate Identification Number of the Transferee Company is L24119CH1975PLC003607. The Registered office of the Transferee Company is situated at S. C. O. 125-127, Sector 17-B, Chandigarh - 160 017. The Transferee Company has facilities for manufacturing of Caustic soda lye, Liquid Chlorine, Hydrochloric Acid, Sodium Hypochlorite and Hydrogen Gas. Main products of the Transferee Company are caustic soda lye, liquid chlorine, hydrochloric acid, hydrogen gas and sodium hypochlorite.

The Share Capital and Holding Structure of the Company is as follows:

Particulars	Amount (INR)
<b>Authorised Share Capital</b>	
7,00,00,000 Equity shares of INR 10/- each	70,00,00,000
<b>Total</b>	<b>70,00,00,000</b>
<b>Issued Capital</b>	
4,85,43,146 Equity shares of INR 10/- each	48,54,31,460
<b>Total</b>	<b>48,54,31,460</b>
<b>Subscribed Capital</b>	
4,85,40,796 Equity shares of INR 10/- each	48,54,07,960
<b>Total</b>	<b>48,54,07,960</b>
<b>Paid-Up Share Capital</b>	
4,84,68,644 Equity shares of INR 10/- each	48,46,86,440
<b>Total</b>	<b>48,46,86,440</b>



- 1.4. The scheme provides for amalgamation between Prayag Chemicals Private Limited (Transferor Company 1) and V.S. Polymers Private Limited (Transferor Company 2) with Punjab Alkalies and Chemicals Limited (Transferee Company).
- 1.5. The fairness opinion requested from us is to be provided in our capacity as Category I Merchant Banker (Registration No: INM000012759) and is required to be submitted to BSE Limited to facilitate the Company's compliance with regulation 11, regulation 37 & regulation 94 of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with SEBI Circular no. CFD/DIL3/CIR/2017/21 dated 10th March 2017 as amended.

## 2. SOURCE OF INFORMATION

- 2.1. For the said examination and for arriving at the Fairness Opinion set forth below, we have considered the following documents representations and explanations provided to us by the management of the Company.
- Audited financial statement of Prayag Chemicals Private Limited for the year ended 31<sup>st</sup> March 2021.
  - Audited financial statement of V.S. Polymers Private Limited for the year ended 31<sup>st</sup> March 2021.
  - Audited financial statement of Punjab Alkalies and Chemicals Limited for the year ended 31<sup>st</sup> March 2021.
  - Draft copy of the scheme of Amalgamation between Prayag Chemicals Private Limited and V.S. Polymers Private Limited with Punjab Alkalies and Chemicals Limited.
  - Fair Share Exchange Ratio Report of Abhinav Agarwal, Registered Valuer, dated 02<sup>nd</sup> September 2021.
  - Such other information and explanations as we have required and which have been provided by the Management.



### 3. KEY FEATURES OF THE SCHEME

As mentioned in the proposed scheme of Amalgamation shared with us, the rationale of the scheme will be beneficial to the companies as under:

- 3.1. The amalgamation of the Transferor Company with Transferee Companies will give the opportunity to increase the production of Caustic Soda by PACL, by having own facilities to use chlorine for manufacture of downstream products and therefore have a better control over the supply chain management for disposal of chlorine;
- 3.2. It will also enable consolidation of businesses under the Transferee Company providing an increased capability to offer a wider portfolio of products on a single platform to effectively address the issue of cyclical nature of business and market dynamics with a combined ability to integrate, innovate, customize and bundle the products of the Transferee and the Transferor Companies under a single platform. Its enhanced resource base and client relationships are likely to result in better business potential and prospects for the consolidated entity and its stakeholders;
- 3.3. Integrated value chain to enhance degree of vertical integration in the chemical business;
- 3.4. Consolidation of funds and resources will lead to optimization of working capital utilisation and stronger financial leverage given the simplified capital structure, improved balance sheet and optimized management structure;
- 3.5. Consolidation of businesses under the Transferee Company will provide impetus to growth, enable synergies and productivity gains, increase operational efficiencies, centralisation of inventory, reduce operational costs and enable optimal utilisation of various resources as a result of pooling of financial, managerial, technical and human resources, thereby creating stronger base for future growth and value accretion for the stakeholders;



- 3.6. Elimination of the need for inter-company transactions between the Transferor Companies and Transferee Company;
- 3.7. Amalgamation will result in simplification of the group and business structure and will enable to consolidated entity to have stronger presence in the market, more extensive network for deeper market penetration and enhancement of the overall customer satisfaction, engagement and retention; and
- 3.8. It will create value for the stakeholders including the respective shareholders, customers, lenders and employees.

The proposed scheme is expected to be beneficial to Amalgamating Companies and Amalgamated Company and their respective stakeholders and will enable them to achieve and fulfill their objectives more efficiently and economically.

#### 4. VALUER'S RECOMMENDATION

- 4.1. The equity share exchange ratio has been arrived at on the basis of relative valuation of the equity shares of Prayag Chemicals Private Limited, V.S. Polymers Private Limited and Punjab Alkalies and Chemicals Limited based on methodology, as explained in the Share Exchange Ratio Report dated September 02, 2021 issued by Abhinav Agarwal, Registered Valuer, and various qualitative factors, and the business dynamics as well as growth potential of the businesses, and also having regard to information base, management representations and perceptions, key underlying assumptions, and limitations.
- 4.2. Accordingly, on the basis of all the relevant factors and circumstances as discussed and outlined in the Fair Share Exchange Ratio Report, dated September 02, 2021, issued by Abhinav Agarwal Registered Valuer, it has been recommended that the equity share exchange ratio for the amalgamation of the companies under the proposed Scheme shall be as follows:



4.3. For Prayag Chemicals Private Limited:

*“703 (Seven Hundred Three) fully paid-up equity shares of face value of Rs. 10 (Rupees Ten) each of the Transferee Company shall be issued and allotted as fully paid-up equity shares to the equity shareholders of the Transferor Company 1, for every 44 (Forty- Four) fully paid-up equity shares of face value of Rs. 100 (Rupees One Hundred) each held by them in the Transferor Company 1.”*

4.4. For V.S. Polymers Private Limited:

*“298 (Two Hundred Ninety- Eight) fully paid-up equity shares of face value of Rs. 10 (Rupees Ten) each of the Transferee Company shall be issued and allotted as fully paid-up equity shares to the equity shareholders of the Transferor Company 2, for every 155 (One Hundred Fifty- Five) fully paid-up equity shares of face value of Rs. 10 (Rupees Ten) each held by them in the Transferor Company 2.”*

## 5. FAIRNESS OPINION

On the basis of the foregoing and based on the information and explanation provided to us, in our opinion, the Scheme and Share Exchange Ratio is fair and reasonable.

## 6. LIMITATIONS

6.1. Our fairness opinion is based on the information furnished to us being complete and accurate in all material aspects. We have relied upon the information, explanation and representations provided to us by the management of the company without carrying out any audit or other tests to verify their accuracy with limited independent appraisal.



- 6.2. The procedures performed were limited in nature and as such this report may not necessarily disclose all significant matters or reveal errors or irregularities, if any in the underlying information. Furthermore such procedures do not constitute an audit, examination or review in accordance with generally accepted auditing standards and therefore we do not express an opinion or any other form of assurance on the information presented in our report. We also do not make any representation regarding the sufficiency of procedures performed.
- 6.3. We have not conducted any independent valuation or appraisal of any of the assets or liabilities of the company and our work does not constitute any verification of any financial information of the company. Accordingly, we do not express any opinion on the fairness or accuracy of any financial information referred to in this opinion.
- 6.4. Our fairness opinion is not intended to and does not constitute any recommendation to any shareholder of the company as to how such shareholder should vote or act in connection with the scheme or any matter related therein.
- 6.5. Our fairness opinion is not, nor should it be construed as our opinion on/ or certification of compliance of the scheme with the provisions of any law including companies, taxation and capital market related laws or as regards any legal implications or losses arising therein.
- 6.6. We do not assume any responsibility for updating or revising our fairness opinion based on circumstances or events occurring after the date thereof.
- 6.7. We do not express any opinion on the fair value of the equity shares of the company, and/ or the price at which the equity shares of the company may trade at any time, including subsequent to the date of this fairness opinion.





- 6.8. This fairness opinion has been issued for the sole purpose to facilitate the company's compliance with regulation 11 regulation 37 & regulation 94 of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements: “SEBI”) Regulations, 2015 read with SEBI Circular no. CFD/DIL3/CIR/2017/21 dated 10th March 2017 as amended
- 6.9. The Conclusions reached by us are dependent upon the above Information being complete and accurate in all material respect. Our scope of work does not enable us to accept responsibility for the accuracy and completeness of the information provided to us.
- 6.10. We assume no responsibility for the legal description or matters including legal or title considerations. Title to the subject assets, properties, or business interests is assumed to be good and marketable unless otherwise stated.
- 6.11. This opinion has been issued for use by the company only and does not owe any responsibility to any third party.

**For Shreni Shares Private Limited**



**Hardik Makwana**

**Senior Associate**

