

SSPA & CO.*Chartered Accountants*

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STRICTLY PRIVATE & CONFIDENTIAL

February 07, 2022

The Board of Directors**Borosil Limited**

1101, 11th Floor, Crescenzo, G-Block,
Bandra Kurla Complex, Bandra (East),
Mumbai – 400 051.

The Board of Directors**Klass Pack Limited**

1101, 11th Floor, Crescenzo, G-Block,
Bandra Kurla Complex, Bandra (East),
Mumbai – 400 051.

The Board of Directors**Borosil Technologies Limited**

1101, 11th Floor, Crescenzo, G-Block,
Bandra Kurla Complex, Bandra (East),
Mumbai – 400 051.

Dear Sir(s)/ Madam(s),

Re : **Recommendation of:**

- (a) **Fair equity share entitlement ratio for the proposed demerger of 'Scientific and Industrial Products' Business of Borosil Limited into Klass Pack Limited;**
- (b) **Proposed amalgamation of Borosil Technologies Limited with Klass Pack Limited (post demerger of 'Scientific and Industrial Products' Business of Borosil Limited into Klass Pack Limited)**

We refer to the engagement letter dated December 07, 2021, whereby, SSPA & Co., Chartered Accountants (hereinafter referred to as 'SSPA' or 'Valuer' or 'We') have been appointed by the Borosil Limited, Borosil Technologies Limited and Klass Pack Limited (hereinafter collectively referred to as 'the Companies') to issue a report containing the recommendation of fair equity share entitlement ratio for the proposed demerger of Scientific and Industrial Products Business (hereinafter referred to as 'Demerged Undertaking') of Borosil Limited (hereinafter referred to as 'BL') into Klass Pack Limited (hereinafter referred to as 'KPL' or Transferee Company) ('Proposed Demerger') and proposed amalgamation of Borosil Technologies Limited (hereinafter referred to as 'BTL' or 'Transferor Company') with KPL (post demerger of Demerged Undertaking) ('Proposed Amalgamation'). Proposed Demerger and Proposed Amalgamation are hereinafter collectively referred to as 'Proposed Restructuring'. Further, management of BL, BTL and KPL are hereinafter collectively referred to as the 'Management'.



1. SCOPE AND PURPOSE OF THIS REPORT

1.1 The Board of Directors of KPL, BL and BTL are considering a proposal for Proposed Restructuring pursuant to a Composite Scheme of Arrangement between the Companies and their respective shareholders and creditors under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 read with Section 2(1B), section 2(19AA) and other applicable provisions of the Income Tax Act (hereinafter collectively referred to as the 'Scheme').

Subject to necessary approvals, Demerged Undertaking of BL (including investments in KPL and BTL) would be demerged into KPL and subsequent to demerger, BTL would be amalgamated with KPL with effect from the Appointed Date of April 01, 2022 ('Appointed Date').

1.2 In consideration for the Proposed Demerger, equity shareholders of BL would be issued equity shares of KPL.

1.3 In this regard, we have been appointed by the Companies to carry out the relative valuation of equity shares of the Companies and to recommend the fair equity share entitlement ratio for the proposed demerger of Demerged Undertaking of BL into KPL and recommendation for proposed amalgamation of BTL with KPL (post demerger of Demerged Undertaking of BL). The report is being furnished by SSPA in the capacity of Registered Valuer under Section 247 of the Companies Act, 2013.

1.4 For the purpose of this valuation, the bases of value is 'Relative Value' and the valuation is based on the 'Going Concern' premise. For the purpose of this valuation, February 04, 2022, has been considered as the 'Valuation Date'.

1.5 The report sets out our recommendations of the fair equity share entitlement ratio and discusses the methodologies and approaches considered for arriving at the relative values of the equity shares of the Companies for the purpose of recommendation of the share entitlement ratio.

2. BRIEF BACKGROUND

2.1. BOROSIL LIMITED

BL has its registered office at 1101, 11th Floor, Crescenzo, G-Block, opposite MCA Club, Bandra Kurla Complex, Bandra (East), Mumbai – 400051. BL presently has manufacturing plants near Jaipur in Rajasthan, Bharuch District of Gujarat and Tarapur in Maharashtra. BL currently operates the businesses through two divisions: manufacturing and trading of (i)



Scientific & Industrial Products and (ii) Consumer Products. The shares of BL are listed on BSE Limited ('BSE') and the National Stock Exchange of India Limited ('NSE'). BL holds 100% equity stake in BTL and holds ~82.49% in KPL.

2.2. DEMERGED UNDERTAKING OF BOROSIL LIMITED

The Demerged Undertaking of BL consists of manufacturing and trading of scientific and industrial products such as laboratory glassware, instruments, disposable plastics, liquid handling systems, vials and explosion proof lighting glassware and other bench top equipment used by the pharmaceutical industry, research and development, education and healthcare segments of the market and the joint and inseparable manufacturing facility located at Bharuch which produces scientific & industrial and consumer products. Demerged Undertaking includes 100% equity stake in BTL and 82.49% equity stake in KPL.

2.3. BOROSIL TECHNOLOGIES LIMITED

BTL is engaged in the business of manufacturing of scientific instruments.

BTL is a wholly owned subsidiary of Borosil Limited.

The issued and paid-up equity share capital of Transferor Company as on March 31, 2021 is INR 495 lakhs comprising of 49,50,000 equity shares of face value of INR 10 each.

2.4. KLASS PACK LIMITED

KPL is engaged in the business of manufacturing and supply of pharmaceutical vials and ampoules to the pharmaceutical industry for over 15 years and has its manufacturing facilities at Nashik, Maharashtra.

We have been informed that KPL is considering reduction and reorganization of its equity share capital through a Scheme, wherein the face value of the equity shares of the KPL shall be reduced from INR 100 each to INR 10 each such that, the issued, subscribed and paid up equity share capital of KPL is reduced from the present amount of INR 16,32,94,900 divided into 16,32,949 equity shares of INR 100 each fully paid to INR 1,63,29,490 divided into 16,32,949 equity shares of INR 10 each fully paid up.

Subsequently, upon reduction of face value of the equity shares of KPL, every 1 equity share of KPL of face value of INR 10 each shall be further split into 10 equity shares of INR 1 each, such that the issued, subscribed and paid up equity share capital of KPL shall be INR 1,63,29,490 divided into 1,63,29,490 equity shares of INR 1 each fully paid up.

3. REGISTERED VALUER - SSPA & CO., CHARTERED ACCOUNTANTS

SSPA & Co., Chartered Accountants, is a partnership firm, located at 1st Floor, "Arjun", Plot



No. 6A, V. P. Road, Andheri (West), Mumbai - 400 058, India. SSPA is engaged in providing various corporate consultancy services.

SSPA is a firm of practicing Chartered Accountants registered with The Institute of Chartered Accountants of India ('ICAI'). SSPA is also registered with the Insolvency and Bankruptcy Board of India ('IBBI'), as a Registered Valuer for asset class – 'Securities or Financial Assets' with Registration No. IBBI/RV-E/06/2020/126.

4. SOURCES OF INFORMATION

The valuation exercise is based on the following information which has been received from the Management and any information available in the public domain:

- (a) Audited financial statements of BL, BTL and KPL for FY 2020-21.
- (b) Management certified profitability statement for nine months period ended December 31, 2021 ('9ME Dec21') and statement of assets and liabilities as at December 31, 2021 pertaining to the Demerged Undertaking of BL.
- (c) Audited financial statements of BTL and KPL for 9ME Dec21.
- (d) Financial Projections of Demerged Undertaking of BL, BTL and KPL for three months period ended March 31, 2022 and from FY 2022-2023 to FY 2025-26.
- (e) Draft Composite Scheme of Arrangement.
- (f) Discussions with the Management on various issues relevant to valuation including prospects and outlook of the business, expected growth rate, and other relevant information relating to future expected profitability, etc.
- (g) Such other information and explanations as we required and which have been provided by the Management including Management Representations.

5. SCOPE LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS, AND DISCLAIMERS

- 5.1. Our report is subject to the scope and limitations detailed hereinafter. As such the report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to herein and in the context of the purpose for which it is made. Further, our report on the recommendation of fair equity share entitlement ratio and recommendation for the Proposed Amalgamation for the Proposed Restructuring is in accordance with ICAI Valuation Standards 2018 issued by The Institute of Chartered Accountants of India.
- 5.2. Valuation is not a precise science and the conclusions arrived at will be subjective and dependent on the exercise of individual judgment. There is, therefore, no indisputable single



value. While we have provided an assessment of value by applying certain formulae which are based on the information available, others may place a different value.

- 5.3. The report assumes that the Companies comply fully with relevant laws and regulations applicable in its area of operations and usage unless otherwise stated, and that the Companies 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, including issues of legal title and compliance with local laws, and litigations and other contingent liabilities that are not recorded/reflected in the balance sheet provided to us.
- 5.4. The draft of the present report was circulated to the Management (excluding the recommended fair equity share entitlement ratio and recommendation for Proposed Amalgamation) for confirming the facts stated in the report and to confirm that the information or facts stated are not erroneous.
- 5.5. Valuation analysis and results are specific to the purpose of valuation and the Valuation Date mentioned in the report and is as per agreed terms of our engagement.
- 5.6. For the purpose of this exercise, we were provided with both written and verbal information including information detailed hereinabove in para 'Sources of Information'. Further, the responsibility for the accuracy and completeness of the information provided to us by the Companies / auditors / consultants, is that of the Companies. Also, with respect to explanations and information sought from the Companies, we have been given to understand by the Management that they have not omitted any relevant and material information about the Companies. The Management have indicated to us that they have understood that any omissions, inaccuracies or misstatements may materially affect our valuation analysis/conclusions.
- 5.7. Our work does not constitute an audit, due diligence, or certification of these information referred to in this report including information sourced from public domain. 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 and consequential impact on the present exercise. However, we have evaluated the information provided to us by the Companies through broad inquiry, analysis, and review. However, nothing has come to our attention to indicate that the information provided/ obtained was materially misstated / incorrect or would not afford reasonable grounds upon which to base the report.
- 5.8. Our recommendation is based on the estimates of future financial performance as projected by the Management, which represents their view of reasonable expectation at the point of



time when they were prepared, after giving due considerations to commercial and financial aspects of the Companies and the industry in which the Companies operate and taking into account the current economic scenario and business disruptions caused on account of spread of COVID-19 pandemic. But such information and estimates are 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. The fact that we have considered the projections in this exercise of valuation should not be construed or taken as our being associated with or a party to such projections.

- 5.9. 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.
- 5.10. 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 has drawn our attention to all the matters, which they are aware of concerning the financial position of the Companies and any other matter, which may have an impact on our opinion, on the 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. Events and transactions occurring after the date of this report may affect the report and assumptions used in preparing it and we do not assume any obligation to update, revise or reaffirm this report.
- 5.11. We are independent of the Companies and have no current or expected interest in the Companies or its assets. The fee paid for our services in no way influenced the results of our analysis.
- 5.12. Our report is not, nor should it be construed as our opining or certifying the compliance with the provisions of any law including companies, competition, taxation, and capital marketrelated laws or as regards any legal implications or issues arising in India or abroad from the Proposed Restructuring.
- 5.13. Any person/ party intending to provide finance/ divest/ invest in the shares/convertible instruments/ business 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.

- 5.14. The decision to carry out the Proposed Restructuring (including consideration thereof) lies entirely with the parties concerned and our work and our finding shall not constitute a recommendation as to whether or not the parties should carry out the Proposed Restructuring.
- 5.15. Our Report is meant for the purpose mentioned in Para 1 only and should not be used for any purpose other than the purpose mentioned therein. It is exclusively for the use of the Companies and may be submitted to regulatory/ statutory authority for obtaining requisite approvals. 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. In no event, regardless of whether consent has been provided, shall SSPA assume any responsibility to any third party to whom the report is disclosed or otherwise made available.
- 5.16. SSPA nor its partners, managers, employees 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. We owe responsibility only to the Companies that have 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 wilful default on part of the client or companies, their directors, employees, or agents.

6. PROPOSED DEMERGER OF DEMERGED UNDERTAKING OF BL INTO KPL

6.1. VALUATION APPROACH AND METHODOLOGIES

- 6.2. For the purpose of valuation, generally following approaches can be considered, viz,
- (a) the 'Market' approach
 - (b) the 'Income' approach; and
 - (c) the 'Cost' approach;

Each of the aforesaid approaches proceeds on different fundamental assumptions which have greater or lesser relevance and at times even no relevance, to a given situation. Thus, the approach to be adopted for a particular valuation exercise must be judiciously chosen.

6.3. COST APPROACH

The Cost approach reflects the amount that would be required currently to replace the



service capacity of an asset; often referred to as current replacement cost. In the present case, the business of Demerged Undertaking of BL and business of KPL are intended to be continued on a 'going concern basis' and there is no intention to dispose-off the assets, therefore the 'Cost' approach is not adopted for the present valuation exercise.

6.4. Considering the above, we have thought fit to consider a combination of 'Market' approach and 'Income' approach for valuation of equity shares of Demerged Undertaking of BL and KPL.

6.5. **MARKET APPROACH**

6.5.1. In the present case, the equity shares of Demerged Undertaking of BL are not separately listed and equity shares of KPL are also not listed on any stock exchanges. Therefore, we have thought fit to consider Comparable Companies' Multiple ('CCM') Method for valuation of equity shares of Demerged Undertaking of BL and KPL under the 'Market' approach.

6.5.2. **COMPARABLE COMPANIES' MULTIPLE METHOD**

Under CCM method, the value of Demerged Undertaking of BL and KPL is determined by using multiples derived from valuations of listed comparable companies. This valuation is based on the principle that market valuations, taking place between informed buyers and informed sellers, incorporate all factors relevant to valuation. Relevant multiples need to be chosen carefully and adjusted for material differences, if any.

In the present case, Enterprise Value (EV) to Earnings before Interest Tax Depreciation and Amortization (EBITDA) multiples of comparable listed companies are used to arrive at EV of Demerged Undertaking of BL and KPL.

To the value so arrived, appropriate adjustments have been made for cash & cash equivalents, value of investments and amount to be received on exercise of ESOP's to arrive at the equity value.

The equity value as arrived above is divided by the diluted number of equity shares in case of Demerged Undertaking of BL and revised number of equity shares after considering the re-organisation of share capital (as mentioned in para 2.4 of this report) in case of KPL, to arrive at the value per share of Demerged Undertaking of BL and KPL.

6.6. **INCOME APPROACH**

6.6.1. Under the 'Income' approach, Demerged Undertaking of BL and KPL are valued using the 'Discounted Cash Flow' ('DCF') Method.

6.6.2. Under the DCF method, the projected free cash flows from business operations after considering fund requirements for projected capital expenditure and incremental working



capital are discounted at the Weighted Average Cost of Capital ('WACC'). The sum of the discounted value of such free cash flows and the discounted value of perpetuity is the value of the business.

- 6.6.3. The free cash flows represent the cash available for distribution to both the owners and the creditors of the business. The free cash flows are determined by adding back to profit before tax (i) interest on loans, if any, (ii) depreciation and amortizations (non-cash charge), and (iii) any non-operating item. The cash flow is adjusted for outflows on account of (i) capital expenditure, (ii) incremental working capital requirements and (iii) tax.
- 6.6.4. WACC is considered as the most appropriate discount rate in the DCF Method since it reflects both the business and the financial risk of the company. In other words, WACC is the weighted average of cost of equity and cost of debt.
- 6.6.5. To the value so arrived, appropriate adjustments have been made for cash & cash equivalents, value of investments and amount to be received on exercise of ESOP's to arrive at the equity value.
- 6.6.6. The equity value as arrived above is divided by the diluted number of equity shares in case of Demerged Undertaking of BL and revised number of equity shares after considering the re-organisation of share capital (as mentioned in para 2.4 of this report) in case of KPL, to arrive at the value per share of Demerged Undertaking of BL and KPL.

7. RECOMMENDATION OF FAIR EQUITY SHARE ENTITLEMENT RATIO

- 7.1. The fair basis of demerger of Demerged Undertaking of BL into KPL would have to be determined after taking into consideration all the factors and methodologies mentioned hereinabove. Though different values have been arrived at under different methods, for the purposes of recommending an entitlement ratio it is necessary to arrive at a single value for the equity shares of Demerged Undertaking of BL and KPL. 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 relative value of shares of Demerged Undertaking of BL and KPL to facilitate the determination of an entitlement ratio. For this purpose, it is necessary to give appropriate weightage to the values arrived at under each approach.
- 7.2. As mentioned above, we have considered a combination of CCM Method under 'Market' approach and DCF Method under 'Income' approach for arriving at the value per equity share of Demerged Undertaking of BL and for KPL. The values under each of the approaches is given in the table below:



Valuation Approach	KPL		Demerged Undertaking of BL	
	Value per Share (INR)	Weights	Value per Share (INR)	Weights
Asset Approach *	NA	NA	NA	NA
Income Approach	151.66	50%	113.63	50%
Market Approach	150.02	50%	113.89	50%
Fair Value per Equity Share	150.84		113.76	
Equity Share Entitlement Ratio	1.33			

NA = Not Applied / Not Applicable

* Since, the business of Demerged Undertaking of BL and the business of KPL are both intended to be continued on a 'going concern basis' and there is no intention to dispose-off the assets, therefore the 'Asset' approach is not adopted for the present valuation exercise.

7.3. The fair equity share entitlement ratio has been arrived on the basis of a relative valuation of equity shares of Demerged Undertaking of BL and KPL based on the approaches explained herein earlier and considering various qualitative factors relevant to the companies and the business dynamics and growth potential of the businesses, having regard to information base, management representation and perceptions, key underlying assumptions and limitations.

7.4. 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, the yield on comparable securities and market sentiments, etc., which are not evident from the face of the balance sheets but which will strongly influence the worth of a share. This concept is also recognized in judicial decisions. For example, Viscount Simon Bd in Gold Coast Selection Trust Ltd. vs. Humphrey reported in 30 TC 209 (House of Lords) and quoted with approval by the Supreme Court of India in the case reported in 176 ITR 417 as under:

'If the asset takes the form of fully paid shares, the valuation will take into account not only the terms of the agreement but a number of other factors, such as prospective yield, marketability, the general outlook for the type of business of the company which has allotted the shares, the result of a contemporary prospectus offering similar shares for subscription, the capital position of the company, so forth. There may also be an element of value in the fact that the holding of the shares gives control of the company. If the asset is difficult to value, but is nonetheless of a money value, the best valuation possible must be made. Valuation is an art, not an exact science. Mathematical certainty is not demanded, nor indeed is it possible.'



7.5. In light of the above and on consideration of all the relevant factors and circumstances as discussed and outlined hereinabove earlier in this report, in our opinion:

The fair equity share entitlement ratio for the proposed demerger of Demerged Undertaking of BL into KPL is as under:

3 (Three) equity shares of KPL of INR 1 each fully paid up (post proposed re-organisation of share capital) for every 4 (Four) equity shares of BL of INR 1 each fully paid up.

8. PROPOSED AMALGAMATION OF BTL WITH KPL

On completion of proposed Demerger of Demerged Undertaking of BL into KPL, BTL will become a wholly owned subsidiary of KPL i.e entire paid-up share capital of BTL will be held by KPL.

Upon the effective date, pursuant to amalgamation of BTL with KPL, the entire shareholding of KPL in BTL will be cancelled. Pursuant to the amalgamation, there would be no change in the paid-up share capital of KPL. Since there is no impact on the shareholding pattern of KPL, no valuation of KPL and of BTL is required.

Accordingly, valuation approaches as indicated in the format as prescribed by circular number NSE/CML/2017/12 of NSE and LIST/COMP/02/2017-18 of BSE have not been undertaken as they are not relevant in the instant case.

Thus, upon the proposed amalgamation of BTL with KPL, no equity shares shall be issued to the shareholders of BTL.

Thanking you,
Yours faithfully,

For SSPA & CO.

Chartered Accountants

ICAI Firm registration number: 128851W

IBBI Registered Valuer No.: IBBI/RV-E/06/2020/126

Parag S. Ved



Parag Ved, Partner

Registered Valuer No.: IBBI/RV/06/2018/ 10092

ICAI Membership No. 102432

UDIN: 22102432AAPUUR4881

Place: Mumbai