

**Fairness Opinion Report on 'Valuation Report' issued for
Proposed Composite Scheme Of Arrangement**

Between

Omkar Speciality Chemicals Limited

And

Lasa Laboratory Private Limited

And

Urdhwa Chemicals Company Private Limited

And

Rishichem Research Limited

And

Desh Chemicals Private Limited

And

Lasa Supergenerics Limited

And

Their Respective Shareholders And Creditors

Prepared by



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March 28th, 2016

SEBI Registered Category I Merchant Banker

SEBI Registration No: INM000011211

Notice to Reader

This report is prepared by Saffron Capital Advisors Private Limited ("Saffron") solely for the purpose of giving a fairness opinion on "Valuation Report" issued for the proposed Scheme of Arrangement between Omkar Speciality Chemicals Limited and Lasa Laboratory Private Limited, Urdhwa Chemicals Company Private Limited, Rishichem Research Limited, Desh Chemicals Private Limited, Lasa Supergenerics Limited and their respective shareholders and creditors ("the Scheme" or "this Scheme"). This report is not to be used, circulated, and quoted otherwise than for the purpose stated herein. This report is subject to the scope of limitations detailed hereinafter. As such the report is to be read in totality and not in parts. This report has been prepared solely for the purpose set out in this report and should not be reproduced (in part or otherwise) in any other document whatsoever without Saffron's written consent.

For the purpose of this assignment, Saffron has relied on the Valuation Report dated March 28, 2016 issued by J.P.J. Associates, Chartered Accountants (Firm Registration No. 113012W) [represented by CA Sandesh Deorukhkar (Membership No. 044397) having their office situated at Shop No. 16, Godavari CHS., Shantivan, Borivali (East), Mumbai – 400 066] on the Scheme and information and explanation provided thereon, whereas the accuracy has not been evaluated by Saffron. Saffron's work does not constitute certification or due diligence of the past working results and Saffron has relied upon the information provided to it as set out in audited and working results of the aforesaid reports.

Saffron has not carried out any physical verification of the assets and liabilities of the companies and takes no responsibility on the identification of such assets and liabilities.

We hereby give our consent to upload the fairness opinion report in the website of the company, present and disclose the Fairness Opinion in the meetings of the shareholders or creditors of Omkar Speciality Chemicals Limited, the Stock Exchanges, the Registrar of Companies and any other government authorities pursuant to SEBI Circular CIR/CFD/CMD/16/2015 dated November 30, 2015.



Our opinion is not, nor should it be construed as our opining or certifying the compliance of the proposed scheme of arrangement with the provisions of any law including companies, taxation and capital market related laws or as regards any legal implications or issues arising thereon.

The information contained in this Report is selective and is subject to updating, expansions, revisions and amendment, if any. It does not purport to contain all the information recipients may require. No obligation is accepted to provide recipients with access to any additional information or to correct any inaccuracies which might become apparent. Recipients are advised to independently conduct their own investigation and analysis of the business of the Companies. The report has been prepared solely for the purpose of giving a fairness opinion on Valuation Report issued for the Scheme and may not be applicable or referred to or quoted in any other context.

For **Saffron Capital Advisors Private Limited**

A handwritten signature in blue ink is written over a circular blue stamp. The stamp contains the text "SAFFRON CAPITAL ADVISORS PRIVATE LIMITED" around the perimeter and "MUMBAI" in the center.

Authorised Signatory

Introduction and Scope of Assignment

1. Omkar Speciality Chemicals Limited ("OSCL") is primarily engaged in the business of manufacture and sale of Specialty Chemicals and Intermediates for Chemical and Allied Industries. OSCL was originally constituted as a Private Limited company on February 24, 2005 and was subsequently converted on March 18, 2010 as a Public Limited Company. The Equity Shares of OSCL are listed on National Stock Exchange of India Limited ("NSE") & BSE Limited ("BSE").
2. Lasa Laboratory Private Limited ("Lasa") is an unlisted company incorporated under the provisions of the Companies Act, 1956 on April 2, 1998 under the name Ubiquitous Drugs And Pharmaceuticals Private Limited. Lasa is engaged in the business of anthelmintics / Veterinary API. Lasa is a Wholly Owned Subsidiary of Omkar Speciality Chemicals Limited.
3. Urdhwa Chemicals Company Private Limited ("Urdhwa") is an unlisted company incorporated under the provisions of the Companies Act, 1956 on August 20, 1986. Urdhwa is engaged in the business of anthelmintics / Veterinary API. Urdhwa is a Wholly Owned Subsidiary of Omkar Speciality Chemicals Limited.
4. Rishichem Research Limited ("Rishichem") is an unlisted company incorporated under the provisions of the Companies Act, 1956 on May 30, 1995 under the name Rishichem Research Private Limited and was subsequently converted on July 13, 2010 as a Public Limited Company. Rishichem is engaged in the business of preparing, producing, and manufacturing of chemicals of all sorts and nature and deal in, sell and/or dispose them off in any manner. Rishichem is a Wholly Owned Subsidiary of Omkar Speciality Chemicals Limited.
5. Desh Chemicals Private Limited ("Desh") is an unlisted company incorporated under the provisions of the Companies Act, 1956 on November 25, 1983. Desh is engaged in the business of preparing, producing, and manufacturing of chemicals of all sorts and



nature and deal in, sell and/or dispose them off in any manner. Desh is a Wholly Owned Subsidiary of Omkar Speciality Chemicals Limited.

6. Lasa Supergenerics Limited ("Lasa Supergenerics") is an unlisted company incorporated under the provisions of the Companies Act, 2013. Lasa Supergenerics was constituted as a public limited company on March 11, 2016. Lasa Supergenerics is incorporated with the main object to carry on the business of preparing, producing, and manufacturing of anthelmintics/Veterinary API and nature and deal in, sell and/or dispose them off in any manner. Lasa Supergenerics is a Wholly Owned Subsidiary of Omkar Speciality Chemicals Limited.
7. This Composite Scheme of Arrangement provides for:
- Merger of Lasa Laboratory Private Limited, Urdhwa Chemicals Company Private Limited, Rishichem Research Limited and Desh Chemicals Private Limited with Omkar Speciality Chemicals Limited; and
 - Demerger of Veterinary API Undertaking of Omkar Speciality Chemicals Limited to Lasa Supergenerics Limited under the provisions of the Companies Act, 1956, pursuant to Sections 391 to 394 and other applicable provisions, if any, of the Companies Act 1956 (to the extent applicable provisions of the Companies Act, 2013).
8. The Scheme would help in achieving the the following benefits:-

Merger Benefits

- Simplification of corporate structure by reducing the number of legal entities and reorganizing the legal entities in the group structure;
- Significant reduction in the multiplicity of legal and regulatory compliances required at present to be carried out by Lasa Laboratory Private Limited, Urdhwa Chemicals Company Private Limited, Rishichem Research Limited and Desh Chemicals Private Limited;
- Elimination of duplication in administrative costs and multiple record-keeping, thus resulting in cost savings; and



- Concentrated effort and focus by the senior management to grow the business by eliminating duplicative communication and burdensome coordination efforts across multiple entities.

Demerger Benefits

- Both businesses profile, growth potential, risk-rewards, regulatory and capital requirements and are largely independent of each other
 - Demerger will achieve operational efficiencies
9. Valuation has been decided based on the Valuation Report prepared by J.P.J. Associates, Chartered Accountants (Firm Registration No. 113012W) [represented by CA Sandesh Deorukhkar (Membership No. 044397) having their office situated at Shop No. 16, Godavari CHS., Shantivan, Borivali (East), Mumbai – 400 066].
10. We, Saffron Capital Advisors Private Limited, a SEBI registered Category-I Merchant Banker, have been engaged to give a fairness opinion on Valuation Report issued for the Scheme. The valuation mentioned herein reflects our independent opinion which is arrived at based on the information provided to us.



Exclusions and Limitations

- In this connection, Saffron has been requested by Omkar Speciality Chemicals Limited to submit a report by giving a fairness opinion on Valuation Report issued for the Scheme.
- We have prepared the Fairness Opinion on the basis of the following information provided to us / collated by us from publicly available sources, like website of BSE/NSE:
 - a) Draft Scheme of Arrangement provided by Omkar Speciality Chemicals Limited
 - b) Valuation Report issued by J.P.J. Associates, Chartered Accountants and
 - c) Management Certified provisional position of assets and liabilities of "Veterinary API Undertaking" of OSCL as on September 30, 2015 prepared in compliance with section 2(19AA) of the Income Tax Act
 - d) Such other information and explanations as we require and which have been provided by the management of the company
- Our valuation exercise and conclusions reached by us are dependent on the information provided to us being complete and accurate in all material respects. Our scope of work does not enable us to accept responsibility for the accuracy and completeness of the information provided to us. The scope of our assignment does not involve performing audit tests for the purpose of expressing an opinion on the fairness or accuracy of any financial or analytical information used during the course of our work. As such we have not performed any audit, review or examinations of any of the historical or prospective information used and, therefore, do not express any opinion with regard to the same. In addition, we do not take any responsibility for any changes in the information used for any reason, which may occur subsequent to the date of our report.
- Our report will not be offered to any section of the public to subscribe for or purchase any securities in or assets or liabilities of any company or business valued by us. This report is prepared with a limited purpose/ scope as identified/ stated earlier and will be



confidential being for use only to whom it is issued. It must not be copied, disclosed or circulated in any correspondence or discussions with any person, except to whom it is issued and to those who are involved in this transaction and for various approvals for this transaction.

Key Extracts of Valuation Report of J.P.J. Associates, Chartered Accountants

We understand that management of the above companies is considering the Scheme of Arrangement under Sections 391 to 394 of the Companies Act, 1956 (to the extent applicable, provisions of the Companies Act, 2013) ("the Act") for merger of Lasa Laboratory Private Limited, Urdhwa Chemicals Company Private Limited, Rishichem Research Limited, Desh Chemicals Private Limited with Omkar Speciality Chemicals Limited and demerger of Veterinary API division of Omkar Speciality Chemicals Limited into Lasa Supergenerics Limited.

In this regard, we have been appointed to validate the fairness of the share issue ratio pursuant to the Scheme.

Generally, for the purpose of valuation, it is necessary to select an appropriate basis of valuation amongst the various alternatives. It is universally recognized that valuation is not an exact science and that estimating values necessarily involves selecting a method or approach that is suitable for the purpose. The application of any particular method of valuation depends upon various factors including the size of company, nature of its business and purpose of valuation. Further, the concept of valuation is all about the price at which a transaction takes place i.e. the price at which seller is willing to sell and buyer is willing to buy. Thus, the market value of any commodity would be the most indicative price. Accordingly, a fair and proper approach for valuing the shares of the company is to use a combination of these methods.

The following methods are generally used for determining the fair value of equity shares:

- Market Value;
- Profit Earning Capacity Value; and



- Asset based valuation techniques

Market Value Approach

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

Profit Earning Capacity based on the past working results

Under this method, the value of the company is arrived at by capitalising its future maintainable profits by an appropriate Price Earnings Ratio ("PE Ratio"). Such future maintainable profits are calculated based on the past working results of the company, usually for a period of 3-5 years after adjusting for non-recurring, unusual or abnormal items of income and expenditure. In determining the PE Ratio one may consider share quotations of companies engaged in the same or similar business as the company whose shares are being valued after adjusting for dissimilarities between the companies being compared with the equity shares of the company being valued and the strengths, weakness and other factors peculiar to the equity shares of the company being valued.

Asset based valuation techniques

The asset based valuation technique is based on the value of the underlying net assets of the company, either on a realizable value basis or replacement cost basis. This method is also known as the Net Asset Valuation ("NAV") methodology. Normally, this method is adopted in the following circumstances:

- When the firm does not meet the "going concern" criteria; or
- When the assets base dominate earnings capability

We have also considered alternative capital structures for Lasa Supergenerics on the basis of following factors:



- Future equity servicing capacity of Lasa Supergenerics; and
- Minimizing fractional entitlement in hands of the shareholders.

Merger of Lasa, Urdhwa, Rishichem and Desh with OSCL

On the basis of our review and analysis and based on the information/representations made available to us, as since we believe that the since Lasa, Urdhwa, Rishichem and Desh are wholly owned subsidiaries of OSCL, therefore for merger of Lasa, Urdhwa, Rishichem and Desh no shares of OSCL to be issued to shareholders of OSCL.

Demerger of Veterinary API Undertaking of merged OSCL into Lasa Supergenerics

1. Based on our review, information made available to us, work performed and discussion with the Management of OSCL, a ratio of 1 (One) equity share of INR 10 each fully paid up of Lasa Supergenerics for every 1 (One) existing equity shares of OSCL of INR 10 each fully paid up to equity shareholders of OSCL in consideration for the demerger of "Veterinary API Undertaking" would be reasonable.
2. We believe that the above ratio is fair considering that all the shareholders of OSCL are and will, upon demerger, be the ultimate beneficial owners of Lasa Supergenerics and in the same ratio (inter se) as they hold shares in OSCL.

Conclusion and Opinion on Valuation Report

Conclusion:

We have reviewed the valuation report and based on the information, material data made available to us, to best of our knowledge and belief, the valuation suggested by the Valuer (J.P.J. Associates, Chartered Accountants) for the proposed Scheme of Arrangement is **Fair and Reasonable.**

