

# Fairness Opinion

**National Peroxide Limited**

March 09, 2021

**Asit C. Mehta**  
INVESTMENT INTERMEDIATES LTD.

**Asit C. Mehta Investment Interrmediates Limited**

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March 09, 2021

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For NATIONAL PEROXIDE-LIMITED

  
(CHANDUKUMAR PARMAR)  
COMPANY SECRETARY

The Board of Directors,  
**National Peroxide Limited,**  
Neville House,  
J. N. Heredia Marg,  
Ballard Estate,  
Mumbai - 400 001

**Subject:** Fairness opinion on the ratio of allotment to the shareholders of NPL on the Proposed Demerger of the Chemical Business of National Peroxide Limited (NPL) into NPL Chemicals Ltd (NPCL) and merger of Naperol Investments Limited (NIL) into residual NPL.

Dear Members of the Board,

We refer to the request made by the management of National Peroxide Limited (NPL) to Asit C. Mehta Investment Intermediates Limited ("ACMIIL") dated 05<sup>th</sup> March 2021 to provide a Fairness Opinion to the Board of Directors ("Fairness Opinion"). The appointment is to provide a Fairness Opinion on the Share Entitlement Ratio Report dated March 09, 2021 issued by Ms. Drushti R. Desai ("Share Entitlement Ratio Report"), a Registered Valuer with respect to the composite Scheme of Arrangement under section 230 to section 232 the of the Companies Act, 2013("Scheme")

**BRIEF PROFILE OF THE COMPANY:**

NPL is a Public Company registered at Registrar of Companies, Mumbai incorporated on March 13, 1954. Its Authorized Share Capital is Rs. 25,00,00,000 consisting of 2,50,00,000 equity shares of Face Value Rs. 10 and its Paid up Share Capital is Rs. 5,74,70,000 consisting of 57,47,000 equity shares of Face Value Rs. 10 each. It is engaged in manufacturing, distribution and dealing of per-oxygen chemicals and making long term investments and corporate lending directly and/or through its wholly owned subsidiary. The equity shares of the Company are listed on BSE Limited.

NPL Chemicals Ltd is a public company incorporated under the provisions of the Companies Act, 2013. NPCL is incorporated to carry on the business of manufacturing, distributing and selling of per-oxygen chemicals. NPCL is a wholly owned subsidiary of NPL.

Naperol Investments Limited, is a public company incorporated under the provisions of the Companies Act, 1956. NIL is registered with the Reserve Bank of India as a Non-Banking Financial Company as provided under section 45 - 1A of the Reserve Bank of India Act, 1934. The company is engaged in the business of long term investment and corporate lending and is a wholly owned subsidiary of National Peroxide Limited.



### **PROPOSED SCHEME:**

There is a proposal before the Boards of Directors of National Peroxide Limited ("NPL" or "the Company") and NPL Chemicals Ltd ("NPCL") to consider the following through a composite scheme of arrangement under section 230 to section 232 the of the Companies Act, 2013("Scheme"):

- **Step 1:** Demerger of the Chemical Business of NPL into NPCL, as a going concern. Upon the said demerger, equity shares of NPCL would be issued to the shareholders of NPL. This step is hereinafter referred to as the Proposed Demerger.
- **Step 2:** Merger of NIL into residual NPL. As the entire equity share capital of NIL is held by NPL, no shares shall be issued at Step 2. This step is also referred to as the Proposed Merger.
- **Step 3:** Existing Shares of NPCL held by NPL shall be cancelled as a part of the Scheme

In respect to the Scheme, the Company decided to approach ACMIIL for the issuance of the Fairness Opinion on the Share Entitlement Ratio report issued by Ms. Drushti R. Desai, Chartered Accountant.

### **SCOPE AND PURPOSE:**

NPL has appointed the Valuer to recommend a Share Entitlement ratio pursuant to which valuer has issued a report dated March 9, 2021. The Share Entitlement Ratio Report recommends that:

The fair ratio of entitlement for equity shares would be as follows:

#### **Step 1: For the Proposed Demerger**

For every 1 (One) Equity shares of face and paid-up value of Rs 10/- (Ten) held in NPL, 1 (One) Equity shares of face and paid-up value of Rs. 10/- (Ten) in NPCL to be issued to the equity shareholders of NPL.

#### **Step 2: For the Proposed Merger**

As the proposed merger is of a wholly owned subsidiary (NIL) into its holding company (NPL), no shares shall be issued at Step 2."

In this connection, the management of NPL engaged Asit C. Mehta Investment Intermediates Limited to submit an independent opinion to the Board of Directors of NPL on the fairness of the Share Entitlement Ratio to shareholders of NPL recommended by the Registered Valuer.



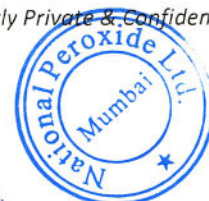
**SOURCE INFORMATION:**

For the said examination and for arriving at the opinion set forth below, we have:

- a) perused the Share Entitlement Ratio Report issued by the Registered Valuer;
- b) Draft Composite Scheme of Arrangement between NPL, NPCL and NIL.
- c) Audited financial results of NPL for year ended March 31, 2020;
- d) reviewed information provided by the Company's management.

**LIMITATION OF SCOPE AND REVIEW:**

1. The Fairness Opinion only aims to represent that the Share Entitlement Ratio as contained in the Opinion is fair and further that the Fairness Opinion shall be valid only for a limited period of time post ACMIL's assessment of the relevant information. The Fairness Opinion may not be valid for any other purpose or as at any other date.
2. Scope of work of this Fairness Opinion includes commenting only on the fairness of the Share Entitlement Ratio and not on the fairness or economic rationale of the proposed Scheme.
3. This Fairness Opinion is addressed to the Board of Directors of NPL. This Fairness Opinion is subject to the scope, assumptions, exclusions, scope limitations and disclaimers mentioned in this letter. This Fairness Opinion has been issued only for the purpose of opining on fairness of the Share Entitlement Ratio and should not be used for any other purpose.
4. Our conclusion is based on the information furnished to us, assuming it to be complete, adequate, relevant and completely accurate in all material respects. We have not conducted any independent valuation or appraisal of any of the assets or liabilities of the Company. Our work excludes all verification of historical financials, including the working results of the Company referred to in this report. Accordingly, our opinion excludes any views on the fairness or accuracy of any financial information referred to in this report.
5. Our opinion is not intended to and does not constitute a recommendation to any directors as to how such directors should vote or act in connection with the proposed Scheme or any matter related therein. We do not express and should not be deemed to have expressed any views or recommendations on any other term of the proposed Scheme.



6. We also express no opinion and accordingly accept no responsibility with respect to the financial performance of NPL and NPCL following the announcement of the proposed Scheme.
7. Our Liability (Statutory or otherwise) for any economic loss or damage, actual or notional, arising out of the rendering this opinion shall be limited to amount of fees received for rendering this opinion as per our engagement with NPL. Our opinion is not, nor should it be construed as our opining or certifying the compliance of the proposed Scheme with the provision of any law including companies, taxation and capital market related laws or as regards any legal implication or issues arising thereon. We assume no responsibility for updating or revising our opinion based on circumstances or events occurring after the date hereof.
8. We acknowledge that this Fairness Opinion will be shared to the extent as may be required, with RBI, relevant High Court/ Tribunal, Stock Exchange, advisors of the companies as well as with the statutory authorities in relation to the proposed Scheme. Neither this Fairness Opinion nor its contents may be referred to or quoted to/by any third party, in any registration statement, prospectus, offering memorandum, annual report, loan agreement or any other agreement or documents given to third parties.

**VALUER'S RECOMMENDATION:**

For the purpose of arriving at a fair ratio of entitlement for Step 1, Valuer considered and placed reliance on various details, data, documents, accounts, statements furnished and explanations and information given and has proceeded to find out the ratio on a consideration of the following factors :

The assets and liabilities identified as pertaining to or in relation to the Chemical Business would be transferred to NPCL at values as appearing in the books of Chemical Business of NPL as on the day immediately preceding the Appointed Date, pursuant to the Scheme of Arrangement between NPL and NPCL.

As can be observed from the shareholding pattern of the NPL and NPCL mentioned earlier, NPCL is a wholly owned subsidiary of NPL. It is further understood that upon the scheme being effective, the entire existing share capital of NPCL (currently held by NPL) shall stand cancelled and new shares shall be allotted to the shareholders of NPL holding shares therein on the record date as defined in the Scheme. Therefore, only the shareholders of NPL shall hold shares of NPCL. Thus, effectively the shareholding in NPCL would continue to mirror the shareholding of NPL.

Further, Valuer also given due consideration to the twin factors of the level of paid-up Equity Share Capital that is considered reasonable for servicing in the medium term by the NPCL and of avoiding fraction and disturbance in the holdings of shareholders.



From the foregoing, it is evident that the question or aspect of adjusting the equities between two or more disparate groups of shareholders (which is ordinarily at the root of fixing such ratio of entitlement) is not relevant in this case due to mirroring of the shareholding in case of NPCL and NPL.

It may be noted that the Institute of Chartered Accountants of India (ICAI) on June 10, 2018 has issued the ICAI Valuation Standards ("IVS") effective for all the valuation reports issued on or after July 1, 2018. The IVS is mandatory for the valuation done under the Companies Act, 2013, and recommendatory for valuation carried out under other statutes/ requirements. However, as the current exercise does not entail valuation, the question of following the Valuation Standards does not arise.

Based on the foregoing data, considerations and steps followed, Valuer opined that the fair ratio of entitlement for equity shares would be as follows:

**Step 1: For the Proposed Demerger**

For every 1 (One) Equity shares of face and paid-up value of Rs 10/- (Ten) held in NPL, 1 (One) Equity shares of face and paid-up value of Rs. 10/- (Ten) in NPCL to be issued to the equity shareholders of NPL.

**Step 2: For the Proposed Merger**

As the proposed merger is of a wholly owned subsidiary (NIL) into its holding company (NPL), no shares shall be issued at Step 2.



**OPINION:**

In the light of the above, and based on our examination of the Share Entitlement Ratio Report dated March 09, 2021, such other information provided and represented to us by NPL, and our independent analysis and evaluation of such information, subject to the limitations mentioned in this report, we are of the opinion that the Share Entitlement Ratio of equity share of NPCL to the shareholders of NPL as a mirror image, as recommended by the Valuer is reasonable and fair.

For and on behalf of:

**Asit C. Mehta Investment Intermediates Limited**



Kirit Vora  
Director  
Mumbai  
March 09, 2021



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**For NATIONAL PEROXIDE LIMITED**



(CHANDUKUMAR PARMAR)  
COMPANY SECRETARY

