Drushti R. Desai
Registered Valuer

Address:
Bansi S. Mehta & Co
3rd Floor, Metro House,
Dhobi Talao, M.G. Road,
Marine Lines, Mumbai-400020

September 08, 2021

To,

To, **National Peroxide Limited** Neville House, J. N. Heredia Marg, Ballard Estate, Mumbai - 400 001	To, **Naperol Investments Limited** Neville House, J. N. Heredia Marg, Ballard Estate, Mumbai - 400 001	To, **NPL Chemicals Limited** Neville House, J. N. Heredia Marg, Ballard Estate, Mumbai - 400 001

Dear Sir/ Madam,

SUB: No change in the report on recommendation of ratio of entitlement dated 9 March 2021 ("Report") for the proposed demerger of chemical business of National Peroxide Limited ("NPL or the Company") into NPL Chemicals Limited ("NPCL") and merger of Naperol Investments Limited ("NIL") into National Peroxide Limited, basis the latest financial statements of the companies as on 30 June 2021

This letter is in response to your email dated September 06, 2021 requesting me to reply to the observation received by you from the stock exchange on the Report. The observation by the stock exchange on the Report and Fairness opinion is as under

It may be noted that the financials of the companies used for the valuation should not be older than 3 months while filing the same with the Exchange.

In this regard, I wish to state as below:

I understand that pursuant to the Scheme (as mentioned in para 1.1 of the Report) it is proposed to reorganize and reconstruct the companies as follows:

- Step 1: Demerger of Chemical Business of NPL is into NPCL a wholly owned subsidiary of NPL. Upon the said demerger, equity shares of NPCL would be issued to the shareholders of NPL.
- Step 2: Merger of Naperol Investments Limited (NIL) (a wholly owned subsidiary of NPL) into residual NPL. As the entire equity share capital of NIL is held by NPL, no shares shall be issued at Step 2.
- Step 3: Existing Shares of NPCL held by NPL shall be cancelled as a part of the Scheme

From the foregoing steps we have noted that the effective ownership of NPCL rested with the same set of shareholders being the shareholders of NPL, and considered that under the overall scheme the entire share capital of NPCL will be held by the shareholders of NPL. Considering foregoing we have recommended ratio based on the required share capital of NPCL. The financials of NPCL or NPL do not have any impact on the recommended ratio.

This was brought out in the Report that I had issued for the share entitlement for the captioned demerger.

DRUSHTI RAHUL DESAI * REGISTERED VALUER *

I would like to draw your attention to the following paragraphs of the Report (para 3.1 to para 3.5) explaining the rationale for arriving at the share exchange ratio:

3.1 *"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.*

3.2 *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.*

3.3 *Further, I have 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.*

3.4 *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*

3.5 *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."*

Thus, upon implementation of Step 1 of the Scheme, as mentioned in Appendix B of the Report, all the shareholders of the Company would become shareholders of NPCL, resulting in a mirror image shareholding of the Company and NPCL. Therefore, there is no change in shareholding and hence the current transaction does not trigger the requirement of valuation under SEBI Circular No CFD/DIL3/CIR/2017/21 dated 10 March 2017.

It is also understood that the appointed date for the above-mentioned Scheme is opening of business hours of October 1, 2020.

In the light of the foregoing, I had issued a Share Entitlement Ratio Report dated March 09, 2021 wherein I had recommended the fair ratio of entitlement for equity shares in para 4 as below:

DRUSHTI RAHUL DESAI ★ REGISTERED VALUER ★

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.

Further, at step 2, it is proposed to merge wholly owned subsidiary NIL with the Company, wherein no shares shall be issued by the Company. Therefore, the question of valuation in relation to the proposed Scheme does not arise.

Thus, for the abovementioned reasons, I have not carried out a fair valuation of these entities based on the financials of the companies.

For the foregoing reason, I confirm that there will not be any change to the share entitlement ratio as provided under the Report, even after considering financial statements of the companies for the quarter ended June 30, 2021.

Terms not defined in this letter should take its meaning from the Report.

This letter should be read along with my Report and the limitations mentioned therein.

DRDesai

DRUSHTI R. DESAI
Registered Valuer
Registration Number: IBBI/RV/06/2019/10666
Place: Mumbai
Date: September 08, 2021

DRUSHTI RAHUL DESAI ★ REGISTERED VALUER ★

ANNEXURE - 3

REPORT ON

RECOMMENDATION OF RATIO OF ENTITLEMENT

FOR THE PROPOSED DEMERGER OF

CHEMICAL BUSINESS OF

NATIONAL PEROXIDE LIMITED

INTO

NPL CHEMICALS LIMITED

AND MERGER OF

NAPEROL INVESTMENTS LIMITED

INTO

NATIONAL PEROXIDE LIMITED

Drushti R. Desai
Bansi S. Mehta & Co.
Chartered Accountants
Metro House, 3rd Floor
M. G. Road, Dhobi Talao,
Mumbai – 400 020.

CERTIFIED TRUE COPY

For NATIONAL PEROXIDE LIMITED

(CHANDUKUMAR PARMAR)
COMPANY SECRETARY

National Peroxide Ltd. Mumbai

CONTENTS

DRUSHTI RAHUL DESAI ★ REGISTERED VALUER ★

National Peroxide Ltd. Mumbai ★

1. Introduction

1.1. 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 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 Naperol Investments Limited (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

1.2. In light of the foregoing, I have been asked by managements of NPL ("the Managements") vide engagement letter August 12, 2020 to recommend, the ratio of allotment to the shareholders of NPL on the Proposed Demerger. This report ("**Report**") sets out the findings of my exercise.

1.3. Brief Profile of the Companies:

1.3.1. Profile of NPL

National Peroxide Limited is a public company incorporated in 1954 and has its registered office Neville House, J. N. Heredia Marg, Ballard Estate, Mumbai - 400 001. 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.

1.3.2. Profile of Chemical Business of NPL ("Chemical Business")

The chemical business of NPL (hereinafter referred to as "Chemical Business") deals with manufacturing, distribution and dealing of peroxygen chemicals.

1.3.3. Profile of NPL Chemicals Ltd

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 peroxygen chemicals. NPCL is a wholly owned subsidiary of NPL.

1.3.4. Profile of Naperol Investments Limited

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 – IA 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.

DRUSHTI RAHUL DESAI * REGISTERED VALUER *

National Peroxide Ltd. Mumbai *

1.4. Shareholding pattern of the companies

1.4.1. NPL

The Authorised, issued, subscribed and paid-up share capital of NPL as at December 31, 2020 based on the information provided by the Company was as follows:

SHARE CAPITAL	AMOUNT (Rs. in lakhs)
Authorised: 25,000,000 Equity Shares of Rs.10 each	2500.00
Issued, Subscribed and fully paid up: 5,747,000 Equity Shares of Rs. 10 each	574.70

It is understood from the Management that no Employee Stock Options have been granted by NPL.

The foregoing share capital was held as follows:

Particulars	Number of Shares Held	Percentage of Shareholding
Promoter & Group	40,66,659	70.76 %
Public	16,80,341	29.24 %
Total	57,47,000	100.00%

1.4.2. NPCL

The Authorised, issued, subscribed and paid-up share capital of NPCL as at December 31, 2020 based on the information provided by the Company was as follows.

SHARE CAPITAL	AMOUNT (Rs. in lakhs)
Authorised: 10,000 Equity Shares of Rs.10 each	1
Issued, Subscribed and fully paid up: 10,000 Equity Shares of Rs. 10 each,	1

It is understood from the Management that no Employee Stock Options have been granted for NPCL.

The foregoing share capital was held as follows:

Particulars	Number of Shares Held	Percentage of Shareholding
National Peroxide Limited	10,000	100%

DRUSHTI RAHUL DESAI * REGISTERED VALUER *

National Peroxide Ltd. Mumbai

1.4.3. **NIL**

The Authorised, issued, subscribed and paid-up share capital of NIL as at December 31, 2020 based on the information provided by the Company was as follows.

SHARE CAPITAL	AMOUNT (Rs. in lakhs)
Authorised:	
49,982 Equity Shares of Rs.100 each	49.98
18, 11% Non-Cumulative Redeemable Preference shares of INR 100 each	0.018
Issued, Subscribed and fully paid up:	
25,500 Equity Shares of Rs. 100 each.	25.50

It is understood from the Management that no Employee Stock Options have been granted for NIL.

The foregoing share capital was held as follows:

Particulars	Number of Shares Held	Percentage of Shareholding
National Peroxide Limited	25,500	100%

DRUSHTI RAHUL DESAI REGISTERED VALUER

National Peroxide Ltd. Mumbai

2. Data obtained

2.1. I have called for and obtained such data, information, etc. as were necessary for the purpose of this assignment, which have been, as far as possible, made available to me by the Management. **Appendix A** hereto broadly summarizes the data obtained.

2.2. For the purpose of this assignment, I have relied on such data summarized in the said Appendix and other related information and explanations provided to me in this regard.

DRUSHTI RAHUL DESAI
REGISTERED VALUER

National Peroxide Ltd.
Mumbai

3. Consideration of Factors for Determination of Share Entitlement Ratio for the Proposed Demerger

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

3.1. 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.

3.2. 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.

3.3. Further, I have 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.

3.4. 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.

3.5. 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.

DRUSHTI RAHUL DESAI * REGISTERED VALUER *

National Peroxide Ltd. Mumbai

4. Conclusion

Based on the foregoing data, considerations and steps followed, in my opinion 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.

Specific Consideration:

BSE Circular No. LIST/COMP/02/2017-18 dated May 29, 2017 (referred to as "Stock Exchange Circular") require the valuation report for a scheme of arrangement to provide certain requisite information in a specified format. The current transaction does not trigger the requirement for valuation under SEBI Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017, since there is no change in shareholding. However, I have given in Appendix B the disclosure required under the circular issued by BSE.

DRUSHTI RAHUL DESAI * REGISTERED VALUER *

National Peroxide Ltd. Mumbai

5. Limitations and Disclaimers

5.1. 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.

5.2. My valuation is based on the information furnished to me being complete and accurate in all material respects.

5.3. This Report is meant for the specific purpose mentioned herein and should not be used for any purpose other than the purpose mentioned herein. The Report should not be copied or reproduced without obtaining prior written approval for any purpose other than the purpose for which it is prepared.

5.4. Any person/ party intending to provide finance / deal in the shares / business of the Company 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.

5.5. I have no obligation to update this Report because of events or transactions occurring subsequent to the date of this Report.

DRUSHTI RAHUL DESAI * REGISTERED VALUER *

National Peroxide Ltd. Mumbai

6. Gratitude

I am grateful to the Management for making information and particulars available to me, often at a short notice, without which this assignment would not have been concluded in a time-bound manner.

DRUSHTI RAHUL DESAI ★ REGISTERED VALUER ★

DRDesai

DRUSHTI R. DESAI
Registered Valuer
Registration Number: IBBI/RV/06/2019/10666

Place: Mumbai
Date: March 9, 2021
UDIN: 21102062AAAAAX8251

National Peroxide Ltd. Mumbai

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For NATIONAL PEROXIDE LIMITED

(CHANDUKUMAR PARMAR)
COMPANY SECRETARY

Appendix A: Broad Summary Of Data Obtained

From the Management:

1. Audited financial results of NPL for year ended March 31, 2020.
2. Draft Composite Scheme of Arrangement between NPL and NIL and NPCL.
3. Other relevant information
4. Answers to specific questions and issues raised by me after examining the foregoing data.

DRUSHTI RAHUL DESAI REGISTERED VALUER

National Peroxide Ltd. Mumbai

Appendix B: Information required pursuant to Stock Exchange Circulars

As mentioned earlier, upon implementation of Step 1 of the Scheme, all the shareholders of NPL would become shareholders of NPCL resulting in a mirror image shareholding of NPL and NPCL. Therefore, there is no change in shareholding as illustrated in Para 4(d) SEBI Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017. Therefore, I have not carried out a valuation of these entities under the generally accepted principles of valuation.

Valuation Approach	Chemical Business of NPL(A)		NPCL (B)	
	Value per Share of NPL for Chemical Business (INR)	Weight	Value per Share of NPCL (INR)	Weight
Market Price method	NA	NA	NA	NA
Earnings based Method	NA	NA	NA	NA
Cost based approach	NA	NA	NA	NA
Relative Value per Share	NA		NA	
Share Entitlement Ratio (A/B) (Rounded)			**NA**	

NA stands for Not Applicable / Not Adopted

Further, at Step 2 of the Transaction for the Proposed Merger, as mentioned earlier, the proposal is to merge wholly owned subsidiary into the holding company, no shares shall be issued and therefore, the question of valuation does not arise.

DRUSHTI RAHUL DESAI * REGISTERED VALUER *

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For NATIONAL PEROXIDE LIMITED

(CHANDUKUMAR PARMAR)
COMPANY SECRETARY

National Peroxide Ltd. Mumbai