FAIRNESS OPINION REPORT

FOR THE PROPOSED AMALGAMATION BETWEEN

IND SWIFT LIMITED

(TRANSFEROR COMPANY)

AND

IND SWIFT LABORATORIES LIMITED

(TRANSFEREE COMPANY)

AND

THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS
(UNDER SECTION 230 TO 232 OF THE COMPANIES ACT, 2013)

Ekadrisht Capital Private Limited
Delhi

To,
The Board of Directors
IND SWIFT LIMITED
781 Industrial Area Phase II,
Chandigarh – 160 002, India

To,
The Board of Directors
IND SWIFT LABORATORIES LIMITED
SCO 850, Shivalik Enclave,
Nac, Manimajra Chandigarh,
Chandigarh – 160 101, India

Dear Sir/Ma'am,

<u>Subject: Fairness Opinion on Equity Share Exchange Ratio pursuant to the proposed Scheme of Arrangement for Amalgamation between Ind Swift Limited (Transferor Company/ "ISL") with Ind Swift Laboratories Limited ("Transferee Company"/ "ISLL")</u>

This is in furtherance to our report dated 25th September, 2023 issued in the matter of proposed amalgamation of Ind Swift Limited (Transferor Company/ "ISL") with Ind Swift Laboratories Limited ("Transferee Company"/ "ISLL") on the Valuation Report dated 25th September, 2023 issued by Ajay Kumar Siwach, Registered Valuer- Securities or Financial Assets (Registration No. IBBI/RV/05/2019/11412, wherein pursuant to the observation received from both the Stock Exchanges the Company got the fresh valuation carried out in the aforesaid matter based on latest audited financials of each of the Companies for the financial year ended on 31st March 2024. Now therefore, we, **Ekadrisht Capital Private Limited** (SEBI Registered Category I Merchant Banker), have been again approached by the Transferor Company, to provide a Fairness Opinion on the said fresh Valuation report issued by Mr. Ajay Kumar Siwach, Registered Valuer dated 16th May 2024.

In terms of our engagement, we are enclosing our opinion along with this letter. All comments as contained herein must be read in conjunction with the caveats to this opinion. The opinion is confidential and has been made in accordance with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as "Listing Regulations") read with SEBI Master Circular no. SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023, it should not be used, reproduced or circulated to any other person, in whole or in part, without the prior consent of Ekadrisht Capital Private Limited, such consent will only be given after full consideration of the circumstances at the time. We are however aware that the conclusion in this report may be used for the purpose of disclosure to be made to the stock exchanges, Hon'ble National company Law Tribunal ("NCLT") and notices to be dispatched to the shareholders and creditors for convening the meeting pursuant to the directions of Hon'ble NCLT and we provide consent for the same.

Trust the above meets your requirements. Please feel free to contact us in case you require any additional information or clarifications.

Yours Faithfully

For Ekadrisht Capital Private Limited

For Ekadrisht Capital Private Limited
Suraj R. Jha Director

[Authorized Signatory]

Date: 17.05.2024

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CONTEXT AND BACKGROUND

The Transferor Company and Transferee Company belongs to same group i.e., Ind-swift group. The amalgamation of Transferor Company with Transferee Company will create a synergy benefit wherein Transferee Company will get working business undertaking and combined business will get exposure of good working capital. The Board of Directors of Transferor Company and the Transferee Company believe that the amalgamation of Transferor Company with Transferee Company is expected to enable better realization of potential of business, better exposure of working capital, easy repayment of the debt of the Transferor Company. It would enable enhanced value creation for the companies involved in Scheme, their respective Shareholders and Creditors.

Furthermore, this Scheme of Arrangement for Amalgamation of the Transferor Company with the Transferee Company would result, inter-alia, in the following additional benefits:

This Scheme of Amalgamation would result, inter-alia, in the following benefits:

- **Expansion into the Formulation Business**:
  The Transferee Company had been engaged in the API business and recently exited the API business. It intends to focus and grow the formulations business which offers significant potential and growth opportunities going forward. To establish its presence in the formulations business, it has already made certain investments in two joint ventures. Since the Transferor company is engaged in Formulations business for a while and has already build capacity for the same, the Proposed Amalgamation would augment and spearhead this strategic shift of the Transferee Company into formulations business inorganically by combining the present formulations business of the Transferor Company along with access to its resources and expertise, enabling a more comprehensive and competitive player in the pharmaceutical formulations market.

- **Takeover / Discharge of the debt of the Transferor Company and thereby relieve it from financial stress**:
  The Transferor Company has been under severe financial stress and has been facing challenges in discharging its debt obligations, with a significant lump-sum payment due in March 2024. The Transferor Company has in the past made numerous efforts to raise funds to fulfil its debt repayment obligations without much success and thereby pushing the Transferor company to brink of an IBC process which may lead to disintegration of the promising formulation business and various stakeholders losing their value.

  The Proposed Amalgamation will offer a bail out to the Transferor company from its debt obligation by providing the necessary funds to discharge its debt and ensure continuity of its formulation business and preservation of shareholder value, alleviating creditors/ lenders pressure and ensuring a stronger / debt free merged entity ready for the long haul.

- **Value creation for Shareholders:**
  The Proposed Amalgamation is expected to contribute to economic value creation for both Transferor and Transferee companies. The shareholders of Transferor company will benefit from reduced finance costs, improved profitability and additional resources to fund the growth of formulations business. The shareholders of the Transferee company are expected to benefit from growth in the formulations business. Shareholders of both Company are also likely to benefit from

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the increased value created through business synergies, cost savings, reduction in administrative / operating costs and improved financial performance of the merged entity.

- **Simplification of Group structure**:
  The Proposed Amalgamation would lead to simplification of the Group structure by reducing one listed company, and thereby eliminating inefficiency and cash trap on distribution of profits to shareholders in future. This will also lead to reduction of higher compliance/ reporting burden and administrative cost by reduction of one listed company. All of this will result in higher operational efficiencies and maximize value for the shareholders of both the companies.

- **Focused management, synergies, and Growth prospects:**
  The Proposed Amalgamation would not only create economies of scale but also simplify management and strategic focus, leading to a better long-term performance. The Amalgamation will facilitate better and more efficient control over the business and financial conduct of the merged company allowing a more streamlined and coordinated approach to governance and strategic decision-making.

The combined entity, on the back of its financial stability is likely to attract more opportunities for organic and inorganic growth viz., partnerships, acquisitions, and market expansion, translating into enhanced financial prospects.

In summary, the amalgamation of the Transferor Company with the Transferee Company is driven by strategic business objectives of preserving businesses of both companies, build strong foundation and achieve market competitiveness by combing the collective strength of both the companies, achieving business and operational synergies & efficiencies, improved financial stability and performance, and thereby preserving and creating long-term value for its various stakeholders.

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BRIEF ABOUT COMPANIES

1. **IND-SWIFT LIMITED (hereinafter also referred to as 'ISL' or 'Transferor Company'),** bearing CIN L24230CH1986PLC006897 was incorporated on 06th June, 1986 under the provisions of Companies Act, 1956 having registered office at 781, Industrial Area Phase II, Chandigarh - 160002. Transferor Company is engaged in the business of manufacturing of Pharmaceutical Products. ISL is a leading pharmaceutical manufacturer of Finished Dosages Form (FDF) with national and international presence based in Chandigarh. Its strength lies in innovative pharmaceutical products. The Equity Shares of the Transferor Company are listed on the bourses of BSE Limited and the National Stock Exchange of India Limited. The Preference Shares of the Transferor Company are unlisted.

Audited Balance Sheet as at 31st March 2024:

Particulars	Amount in INR Million
Share Capital	**108.33**
Reserves and Surplus	**(7,025.42)**
Non-Current Liabilities	**10,249.30**
Current liabilities and provisions	**3,202.57**
Equity & Liabilities	**6,534.78**
Non-Current Assets	**3,117.94**
Current Assets	**3,416.83**
Total Assets	**6,534.78**

Audited Statement of Profit and Loss for the 12 Months period ended 31st March 2024:

Particulars	Amount in INR Million
Revenue from Operations	**5,022.48**
Other Income	**579.93**
Total Revenue	**5,602.41**
Operating Expenses	**4,546.18**
EBITDA	**1,056.23**
Depreciation & Amortization	**271.071**
EBIT	**785.15**
Finance Cost	**629.36**
Profit before Tax (PBT)	**155.79**

The Capital Structure of the Company as at 31st March 2024:

Particulars	Amount (INR)
Authorized Share Capital	
Equity share capital- 7,50,00,000 shares of Rs. 2/- each	150,000,000.00
Cumulative redeemable Preference share capital- 25,00,000 shares of Rs. 100/- each	250,000,000.00
Total	**400,000,000.00**
Issued, Subscribed and Paid-Up Share Capital	
5,41,64,653 Equity Shares of Rs. 2/- each	108,329,306.00
14,20,000 Cumulative redeemable Preference share of Rs. 100/- each	142,000,000.00
Total	**250,329,306.00**

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2. **IND-SWIFT LABORATORIES LIMITED (hereinafter also referred to as 'ISLL' or 'Transferee Company')** bearing CIN L24232CH1995PLC015553 was incorporated on 04th January, 1995 under the provisions of Companies Act, 1956 having registered office at SCO 850, Shivalik Enclave, NAC, Manimajra Chandigarh -160101. The Transferee Company is primarily engaged in interalia in the business of manufacturing and marketing of Active Pharmaceutical Ingredients (APIs), Intermediates and Finished Dosages. The Transferee Company has, as of the appointed date completed a slump sale transaction with a Company namely Synthimed Labs Private Limited to sell its API and CRAMS business. The Equity Shares of the Transferee Company are listed on the bourses of BSE Limited and the National Stock Exchange of India Limited. Further, the Non-Convertible Debentures of the Transferee Company (listed on the bourses of BSE Limited) were repaid and redeemed in full on 18th March 2024.

Audited Standalone Balance Sheet as at 31st March 2024:

Particulars	Amount in INR Million
Share Capital	590.87
Reserves and Surplus	8,631.55
Non-Current Liabilities	42.23
Current liabilities and provisions	1,783.20
Equity & Liabilities	11,047.85
Non-Current Assets	5,592.48
Current Assets	5,455.37
Total Assets	11,047.85

Audited Standalone Statement for the 12 Months period ended 31st March 2024:

Particulars	Amount in INR Million
Revenue from Operations	12,273.18
Other Income	453.14
Total Revenue	12,726.31
Operating Expenses	9,773.52
EBITDA	2,952.79
Depreciation & Amortization	533.03
EBIT	2,419.76
Finance Cost	510.96
Exceptional Item Loss (Profit)	(3,865.90)
Profit before Tax (PBT)	5,774.71

The Capital Structure of the Company as at 31st March, 2024:

Particulars	Amount (INR)
Authorized Share Capital	
60,000,000 Equity Share of Rs. 10/-each	600,000,000.00
Total	600,000,000.00
Issued, Subscribed and Paid-Up Share Capital	
59,086,860 Equity Share of Rs. 10/-each fully paid up	590,868,600.00
Total	590,868,600.00

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SHARE EXCHANGE RATIO FOR AMALGAMATION

SHARE EXCHANGE RATIO FOR AMALGAMATION: -

BSE Circular No. LIST/COMP/02/2017-18 dated 29 May 2017 requires the valuation report for a Scheme of Arrangement to provide certain requisite information in a specified format.

Valuation Approach	Methodology Applied	Ind Swift Limited (Transferor)			Ind Swift Laboratories Limited (Transferee)		
		Weights	Equity Value Per Share (INR)	Weighted Equity Value Per Share (INR)	Weights	Equity Value Per Share (INR)	Weighted Equity Value Per Share (INR)
Asset	Adjusted Book Value	Nil	Nil	22.94	80%	166.41	155.91
Market	Comparable Companies Multiples	Nil	Nil		Nil	Nil	
	Market Price Method	100%	22.94		20%	113.90	
Income	Discounted Cash Flow	0%	11.89		Nil	Nil	

Based on above analysis, the share exchange ratio has been arrived at and accordingly the Transferee Company shall, without any further act or deed and without any further payment, issue and allot equity shares on a proportionate basis to each member of the Transferor Company whose names are recorded in the Register of Members/ List of Beneficial Owners for shares in dematerialized form of the Transferor Company on the Record Date.

Calculation Of Exchange Ratio		
Company Name	Ind Swift Laboratories Limited (Transferee Company)	Ind Swift Limited (Transferor Company)
Equity Value Per Share (INR)	155.91	22.94
Exchange Ratio	1.00	0.15
Exchange Ratio For 100 Shares	100	15

"Ind Swift Laboratories Limited" (Transferee Company) shall issue and allot 15 (Fifteen) Equity Shares of Face Value of INR 10.00/- (Rupees Ten Each) each to Equity Shareholders of "Ind Swift Limited" (Transferor Company) for every 100 (One Hundred) Equity Share of Face Value of INR 2/- (Rupees Two Each) each held by them in the Transferor Company.

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Method of Valuation:

There are three approaches to Valuation namely Income, Asset, and Market Approaches.

Approach	Valuation Methodologies	Basis of Consideration
Asset	**Adjusted Net Asset Value (NAV) Method**	The Asset-based method views the business as a set of assets and liabilities that are used as building blocks of a business value. The business value is the difference in the value of these assets and liabilities on a Book Value basis Realizable Value basis or Replacement Cost basis. **In the case of a transferee Company, I have deemed it suitable to apply NAV as the Company has a huge quantum of Investment assets and this method involves identifying and valuing a company's assets which is quite objective and reliable as the company has stable and predictable asset values.** **However, in the case of the Transferor Company, the company has not made any significant investment in assets, along the Book Value of the Company is in negative, hence, we deemed it suitable to avoid the Adjusted Net Asset Value (NAV) Method.**
Market	**Comparable Companies Multiples (CCM) Method**	This methodology uses the valuation ratio of a publicly traded company and applies that ratio to the company being valued. The valuation ratio typically expresses the valuation as a function of a measure of financial performance or Book Value (e.g., Revenue, EBITDA, EBIT, Earnings per Share or Book Value). A key benefit of Comparable Company Market Multiple analysis is that the methodology is based on the current market stock price. The current stock price is generally viewed as one of the best valuation metrics because it is based on observable inputs. **In the instant case, both companies are listed on the Stock Exchange and are frequently traded in the National Stock Exchange (NSE). Hence, I deemed it suitable to consider the Market Price in the NSE for the valuation exercise instead of the Comparable Multiples of the Transferor and Transferee Companies.**
	Market Price Method (90 Trading Days (TD) –10 Trading Days (TD))	In this method the VWAP (Volume Weighted Average Price) of the latest 90 Trading days (TD) VWAP and 10 Trading days are taken. The maximum of these two is then taken as the fair market value. **Since both the Companies are listed on the Stock Exchanges and are frequently traded on NSE, I have applied this methodology in this instant case for Transferor and Transferee Companies.**
Income	**Discounted Free Cash Flow (DFCF) Method**	The DFCF method expresses the present value of the business as a function of its future cash earnings capacity. This methodology works on the premise that the value of a business is measured in terms of future cash flow streams, discounted to the present time at an appropriate discount rate. The value of the firm is arrived at by estimating the Free Cash Flows (FCF) to Firm and discounting the same with Weighted Average cost of capital (WACC). The DFCF methodology is the most appropriate basis for determining the earning capability of a business. In the DFCF approach, the appraiser estimates the cash flows of any business after all operating expenses, taxes, and necessary investments in working capital and Capex is being met. **In case of the Transferee Company, I have deemed it suitable to avoid DFCF Method as the Company has a huge quantum of Investment assets and this method involves valuing a company based on the future cash flows. However, the future cash flows from the Investment Asserts might not be accurate and reliable while computing the Company's worth.** **In case of the Transferor Company, having a business which is expected to be continued in future years along with minimal Investment assets, hence I deemed**

		it suitable to do valuation of the Company as per Discounted Free Cash Flow (DFCF) Method.

CONCLUSION & OPINION

In case of a valuation for Amalgamation, the emphasis is on arriving at the "relative" values of the shares of the merging companies to facilitate determination of the "share exchange ratio". Hence, the purpose is not to arrive at absolute values of the shares of the companies.

Judicial Pronouncements: -
Hindustan lever Employees' Union v/s Hindustan lever Limited and others (1995) 83 Company cases 30 (SC)

The jurisdiction of the Court in sanctioning a claim of merger is not to ascertain mathematical accuracy if the determination satisfied the arithmetical test. A company court does not exercise an appellate jurisdiction. It exercises a jurisdiction founded on fairness. It is not required to interfere only because the figure arrived at by the valuer was not as good as it would have been if another method had been adopted. What is imperative is that such determination should not have been contrary to law and that it was not unfair for the shareholders of the company which was being merged.

The Hon'ble Supreme Court held "I do not think that the internal management, business activity or institutional operation of public bodies can be subjected to inspection by the court. To do so, is incompetent and improper and, therefore, out of bounds."

The **dominance of profits for valuation of share was emphasized in "McCathies case"** (Taxation, 69 CLR 1) where it was said that *"the real value of shares in a company will depend more on the profits which the company **has been making and should be capable of making**, having regard to the nature of its business, than upon the amount which the shares would realize on liquidation".* This was also re-iterated by the Indian Courts in Commissioner of Wealth Tax v. **MahadeoJalan's case (S.C.)** (86 ITR 621) and Additional Commissioner of Gift Tax v. Kusumben D. Mahadevia (S.C.) (122 ITR 38).

In the ultimate analysis, valuation will have to involve the exercise of judicious discretion and judgment considering all the relevant factors. There will always be several factors, e.g., present, and prospective competition, 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.

Based on the facts of the case, we have valued **Ind Swift Limited (Transferor Company/ "ISL")** and **Ind Swift Laboratories Limited ("Transferee Company"/ "ISLL")** as per the Internationally Accepted Methodologies.

"Subject to the above read with the caveats as detailed later, we as a Merchant Banker hereby certify that pursuant to SEBI Master Circular no. SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665 dated November 23, 2021, we have reviewed the proposed Scheme of Arrangement for Amalgamation, the Valuation Report dated 16th May 2024 of Mr. Ajay Kumar Siwach, Registered Valuer, with respect to the share exchange ratio aspects and consider it to be fair and reasonable from the point of view of equity shareholders of the Companies".

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CAVEATS

- We wish to emphasize that; we have relied on explanations and information provided by the respective management and other publicly available information. Although we have reviewed such data for consistency and reasonableness, we have not independently investigated or otherwise verified the data provided.
- We have not made an appraisal or independent valuation of any of the assets or liabilities of the companies and have not conducted an audit or due diligence or reviewed/validated the financial data except what is provided to us by the Restructured Companies.
- The scope of our work has been limited both in terms of the areas of the business and operations which we have reviewed and the extent to which we have reviewed them. There may be matters, other than those noted in this Scheme, which might be relevant in the context of the transaction and which a wider scope might uncover.
- We have no present or planned future interest in the Restructured Company/ies and the fee payable for this opinion is not contingent upon the opinion reported herein.
- Our Fairness Opinion should not be construed as investment advice; specifically, we do not express any opinion on the suitability or otherwise of entering into the proposed transaction.
- The Opinion contained herein is not intended to represent at any time other than the date that is specifically stated in this Fairness Opinion Report. This opinion is issued on the understanding that the Management of the Restructured Companies under the Scheme have drawn our attention to all matters of which they are aware, which may have an impact on our opinion up to the date of signature. We have no responsibility to update this report for events and circumstances occurring after the date of this Fairness Opinion.

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