

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

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To,
The Board of Directors
Ind Swift Limited
781 Industrial Area Phase II,
Chandigarh – 160 002, India

Dear Sir/Ma'am,

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”)

Ekadrisht Capital Private Limited, a SEBI Registered Category I Merchant Banker, has been engaged by Ind Swift Limited (ISL) to offer a Fairness Opinion on the Valuation report prepared by Mr. Ajay Kumar Siwach, Registered Valuer, dated September 25, 2023. This opinion is integral to the proposed amalgamation of ISL with Ind Swift Laboratories Limited (ISLL), as per the provisions of Sections 230 to 232 and other applicable clauses of the Companies Act, 2013.

This opinion is confidential and complies with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, and SEBI Master Circular no. SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665 dated November 23, 2021. It should not be shared, reproduced, or circulated to any third party without prior consent from Ekadrisht Capital Private Limited. However, we acknowledge that this opinion may be employed for disclosure purposes to stock exchanges, the National Company Law Tribunal (NCLT), and in notices sent to shareholders and creditors as required by the NCLT.

Should you require further information or clarifications, please do not hesitate to reach out to us. We are here to meet your needs and assist you in this matter.

Yours Faithfully
For Ekadrisht Capital Private Limited
SEBI Registered Merchant Banker-Cat-1
INM000013040

For Ekadrisht Capital Private Limited

 Director

Suraj Jha
Director

Date: September 30, 2023

Place: New Delhi

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INTRODUCTION AND OVERVIEW

The Transferee Company recently executed a Business Transfer Agreement to divest its API and CRAMS Business, with the sale proceeds designated for debt repayment and other financial obligations. After this transaction, the Transferee Company will retain surplus cash and the Finished Dosages Forms (FDF) Business. Both the Transferor and Transferee Companies, belonging to the Ind-swift group, see this amalgamation as a strategic move to unlock synergies, provide the Transferee Company with a working business segment, and improve working capital exposure. The boards of both companies believe this merger will optimize business potential, ease debt repayment, and create enhanced value for 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:

- **Enhanced Competitive Position:** The merger will strengthen the combined entity's financial standing, bolstering its competitiveness. This newfound financial strength will enable greater flexibility and resilience, supporting strategic initiatives like expansion and innovation.
- **Business Consolidation:** Combining the operations streamlines both businesses, yielding economies of scale and simplified management. This consolidation enhances long-term performance.
- **Value Creation and Shareholder Benefits:** The amalgamation is poised to generate economic value for both companies. Shareholders of the Transferor and Transferee Companies stand to benefit from synergies, cost savings, and improved financial performance.
- **Operational Efficiency:** The merger is expected to reduce overheads, administrative expenses, and operational redundancies, enhancing efficiency and resource utilization.
- **Growth Opportunities:** The combined entity gains access to more growth and expansion prospects. Its increased size and stability make it attractive for partnerships, acquisitions, and market expansion, benefiting stakeholders and the broader community.
- **Improved Governance:** Amalgamation allows for streamlined and coordinated governance and decision-making.
- **Expansion in Formulation Business:** The Transferee Company's existing foray into formulation business through joint ventures is complemented by the merger, providing additional resources and expertise.
- **Debt Resolution:** The Transferor Company's debt repayment challenges, particularly a substantial payment due in March 2024, have been a concern. Despite efforts to raise funds and refinance, these challenges persist. Amalgamation offers a strategic solution, potentially easing creditor pressure and ensuring financial stability.



OVERVIEW OF COMPANIES

1. **IND SWIFT LIMITED** (hereinafter also referred to as ‘ISL’ or ‘Transferor Company’), Bearing CIN L24230CH1986PLC006897, the Transferor Company was established on June 6th, 1986, in accordance with the Companies Act, 1956. Its registered office is situated at 781, Industrial Area Phase II, Chandigarh – 160 002. The Transferor Company primarily operates in the pharmaceutical product manufacturing sector.

On the other hand, ISL, based in Chandigarh, is a prominent pharmaceutical manufacturer specializing in Finished Dosage Form (FDF) products. It enjoys a robust presence both nationally and internationally, recognized for its innovative pharmaceutical offerings. Notably, the Transferor Company is publicly listed on both BSE Limited and the National Stock Exchange of India Limited.

Limited review Balance Sheet as on 30th June 2023:

Particulars	Amount in INR Million
Share Capital	108.33
Reserves and Surplus	(7,131.69)
Non-Current Liabilities	4,199.28
Current liabilities and provisions	9,390.66
Equity & Liabilities	6,566.58
Non-Current Assets	3,738.25
Current Assets	2,828.32
Total Assets	6,566.58

Limited review Statement of Profit & Loss of for the 3 Months period ended 30th June 2023:

Particulars	Amount in INR Million
Revenue from Operations	1,485.36
Other Income	56.30
Total Revenue	1,541.66
Operating Expenses	1,301.38
EBITDA	240.29
Depreciation & Amortization	67.21
EBIT	173.08
Finance Cost	149.45
Profit before Tax (PBT)	23.62

The Capital Structure of the Company as on 30th June 2023:

Particulars	Amount (INR)
Authorized Share Capital	
Equity share capital- 7,50,00,000 shares of Rs. 2/- each	
Cumulative Redeemable Preference share capital- 25,00,000 shares of Rs. 100/- each	40,00,00,000.00
Total	40,00,00,000.00
Issued, Subscribed and Paid-Up Share Capital	
5,41,64,653 Equity Shares of Rs. 2/- each	
14,20,000 Cumulative redeemable Preference share of Rs. 100/- each	25,03,29,306.00
Total	25,03,29,306.00



2. IND SWIFT LABORATORIES LIMITED (hereinafter also referred to as ‘ISLL’ or ‘Transferee Company’), Registered under CIN L24232CH1995PLC015553, the Transferee Company was incorporated on January 4th, 1995, in accordance with the Companies Act, 1956. Its registered office is located at SCO 850, Shivalik Enclave, NAC, Manimajra Chandigarh – 160 101. The Transferee Company's primary focus includes the manufacturing and marketing of Active Pharmaceutical Ingredients (APIs), Intermediates, and Finished Dosages.

Notably, the Transferee Company has recently engaged in a slump sale transaction with Synthimed Labs Private Limited, wherein it intends to divest its API business. This transaction is currently pending completion. Additionally, the Transferee Company is publicly listed on both BSE Limited and the National Stock Exchange of India Limited.

Projected Post Slump Sale Balance Sheet based on 30th June 2023 Limited Review Standalone Financials:

Particulars	Amount in INR Million
Share Capital	598.06
Reserves and Surplus	8,703.62
Non-Current Liabilities	12.46
Current liabilities and provisions	-
Equity & Liabilities	9,314.13
Non-Current Assets	1,087.72
Current Assets	8,226.41
Total Assets	9,314.13

The Capital Structure of the Company as on 30th June 2023:

Particulars	Amount (INR)
Authorized Share Capital	
60,000,000 Equity Share of Rs. 10/-each	60,00,00,000.00
Total	60,00,00,000.00
Issued, Subscribed and Paid-Up Share Capital	
59,086,860 Equity Share of Rs. 10/-each fully paid up	59,08,68,600.00
Total	59,08,68,600.00



SHARE SWAP RATIO FOR MERGER

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	22.91	80%	163.67	150.13
Market	Comparable Companies Multiples	Nil	Nil		Nil	Nil	
	Market Price Method	100%	22.91		20%	95.98	
Income	Discounted Cash Flow	0%	15.87		Nil	Nil	

In accordance with the aforementioned analysis, the share exchange ratio has been ascertained. Consequently, the Transferee Company shall effectuate the issuance and allotment of equity shares, without any further requisite act, deed, or pecuniary consideration. This allocation will be executed in a pro rata manner to each member of the Transferor Company, whose identities are duly inscribed in the Register of Members or the List of Beneficial Owners pertaining to shares held in dematerialized form of the Transferor Company, as of 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)	150.13	22.91
Exchange Ratio	1.00	0.15
Exchange Ratio For 100 Shares	100	15

"Ind Swift Laboratories Limited" (the Transferee Company) shall, in accordance with the determined share exchange ratio, issue and allot 15 (Fifteen) Equity Shares, each having a Face Value of INR 10.00/- (Rupees Ten Each), to every Equity Shareholder of "Ind Swift Limited" (the Transferor Company) for each 100 (One Hundred) Equity Shares, each having a Face Value of INR 2/- (Rupees Two Each), held by them in the Transferor Company."



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	<p>The Asset-based method evaluates a business by considering its assets and liabilities as essential elements in determining its overall value. Differences in valuation can arise based on factors such as Book Value, Realizable Value, or Replacement Cost of these assets and liabilities, ultimately influencing the business's total value.</p> <p>For the Transferee Company, we have chosen to employ the Net Asset Value (NAV) approach. This decision is grounded in the company's substantial holdings in assets. The NAV method entails a systematic assessment and valuation of the company's assets, a process known for its objectivity and reliability, especially in situations where the company's asset values exhibit stability and predictability.</p> <p>Regarding the Transferor Company, the circumstances differ significantly. The company has not made substantial investments in assets, and its Book Value is negative. Consequently, we have chosen to exclude the Adjusted Net Asset Value (NAV) Method for this evaluation.</p>
Market	Comparable Companies Multiples (CCM) Method	<p>The Comparable Company Market Multiple analysis method relies on the valuation ratio of a publicly traded company and extends that ratio to the target company under evaluation. This ratio often represents the valuation in relation to a financial performance or Book Value metric (such as Revenue, EBITDA, EBIT, Earnings per Share, or Book Value). One of the primary advantages of this approach is its grounding in the current market stock price, which is widely regarded as a robust valuation metric due to its reliance on observable inputs.</p> <p>In this specific scenario, both companies maintain listings on the Stock Exchange and are actively traded on the National Stock Exchange (NSE). Consequently, we have found it appropriate to incorporate the Market Price observed in the NSE as a key component of the valuation process, rather than relying solely on the Comparable Multiples of the Transferor and Transferee Companies.</p>
	Market Price Method (90 Trading Days (TD) – 10 Trading Days (TD))	<p>This method involves the calculation of the Volume Weighted Average Price (VWAP) over the most recent 90 Trading Days (TD) and the VWAP over the last 10 Trading Days. The higher of these two VWAP values is subsequently determined as the fair market value.</p> <p>Given that both companies are publicly listed and actively traded on the NSE, we have opted to utilize this methodology in the valuation process for both the Transferor and Transferee Companies in this instance.</p>
Income	Discounted Free Cash Flow (DFCF) Method	<p>The Discounted Free Cash Flow (DFCF) method assesses the present value of a business by considering its future cash earnings potential. This approach operates under the premise that a business's value is contingent on its future cash flow streams, which are discounted back to their present worth utilizing an appropriate discount rate. The valuation of the firm is determined by projecting Free Cash Flows (FCF) to the Firm and discounting these flows using the Weighted Average Cost of Capital (WACC). The DFCF method is particularly suitable for gauging a business's earning capacity. In this approach, the appraiser calculates the cash flows of the business after factoring in all operational costs, taxes, as well as necessary investments in working capital and capital expenditures (Capex).</p> <p>For the Transferee Company, we have decided not to employ the Discounted Free Cash Flow (DFCF) Method. This choice is based on the fact that the company holds a significant quantity of investment assets. The DFCF Method relies on the valuation of a company using future cash flows, but in this particular case, estimating future cash flows from the investment assets may not be sufficiently accurate or reliable to determine the company's value effectively.</p> <p>In the case of the Transferor Company, which has a business anticipated to continue in future years and possesses minimal investment assets, we have found it fitting to evaluate the company using the Discounted Free Cash Flow (DFCF) Method.</p>



FINAL ASSESSMENT & OPINION

In the context of a valuation for Amalgamation, the primary focus lies in determining the "relative" values of the shares held by the merging companies. This emphasis serves the purpose of establishing the "share exchange ratio," rather than arriving at absolute values for the shares of these 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 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 a 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 "We 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 reiterated 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 foregoing and in conjunction with the detailed caveats provided subsequently, we, as a Merchant Banker, hereby confirm our certification in accordance with SEBI Master Circular no. SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665 dated November 23, 2021. We have conducted a comprehensive review of the proposed Scheme of Arrangement for Amalgamation, as well as the Valuation Report dated September 25, 2023, authored by Mr. Ajay Kumar Siwach, a Registered Valuer, specifically focusing on the share exchange ratio aspects. Based on our evaluation, we find the proposed ratio to be equitable and reasonable when viewed from the perspective of the Companies' equity shareholders."



DISCLAIMERS

- We want to underline that our evaluation relies on explanations and information provided by the respective management and publicly available data. While we have scrutinized this data for consistency and reasonableness, we have not conducted independent investigations or verifications.
- We have not conducted separate appraisals or valuations of the assets or liabilities of the companies, nor have we carried out audits or due diligence. Our assessment is based solely on the financial data provided to us by the Restructured Companies.
- Our review has been constrained in terms of both the areas of business and operations examined and the depth of our analysis. There may be pertinent matters, beyond those mentioned in this Scheme, that could be relevant to the transaction and might be revealed with a broader scope of analysis.
- We do not have any existing or planned future interests in the Restructured Company/ies. Our fee for this opinion is not contingent on the reported opinion.
- Please note that our Fairness Opinion should not be interpreted as investment advice. Specifically, we do not express any judgment on the suitability of entering into the proposed transaction.
- This opinion is not intended to be valid beyond the specific date stated in this Fairness Opinion Report. It is issued with the understanding that the Management of the Restructured Companies, under the Scheme, has brought to our attention all matters within their awareness that could affect our opinion up to the date of issuance. We bear no responsibility to update this report for events and circumstances occurring after the date of this Fairness Opinion.

