

V.B. Desai Financial Services Limited

Category I Merchant Banker - SEBI Registration No. INM000002731

Annexure 5

March 2, 2017

The Board of Directors
DHARAMSI MORARJI CHEMICAL CO. LTD.
 Prospect Chambers,
 317/21, Dr. D N. Road,
 Mumbai - 400 001

Dear Sir,

Sub: Fairness Opinion on Valuation Report dated 02/03/2017 issued by SSPA & CO., Chartered Accountant, Mumbai certifying the Exchange Ratio in the matter of Proposed Amalgamation of Borax Morarji Limited, ("BML" or "the Transferor Company" with The Dharamsi Morarji Chemical Company Limited, ("DMCC" or "the Transferee Company") pursuant to Scheme of Amalgamation, both companies belonging to the same promoter group

We refer to the engagement letter dated February 22, 2017 with V.B. Desai Financial Services Limited (herein after referred to as "VBDFSL"), wherein DMCC has requested us to provide fairness opinion on the Proposed Scheme of Amalgamation of Borax Morarji Limited, ("BML" or "the Transferor Company") with The Dharamsi Morarji Chemical Company Limited, ("DMCC" or "the Transferee Company") as required under SEBI CIRCULAR NO CIR/CFD/CMD/16/2015 dated November 30, 2015.

• **BACKGROUND OF THE COMPANIES**

• **The Dharamsi Morarji Chemical Company Limited (DMCC or "the Transferee Company")**

The Dharamsi Morarji Chemical Company Limited, ("DMCC" or "the Transferee Company"), was originally incorporated as a public limited company under the name and style of "The Dharamsi Morarji Chemical Company Limited" on September 25, 1919 vide Corporate Identity Number L24110MH1919PLC000564 under the Indian Companies Act, VII of 1913 and having its registered office at Prospect Chambers, 317/21, D N Road, Fort, Mumbai 400001.

DMCC is primarily engaged in the business of manufacturing Sulphuric acid, oleum, Chlorosulphonic acid and other commodity chemicals as also various speciality chemicals and preparations etc. used in pigments, varnishes, dyes and dyes intermediates and drugs and pharmaceutical industry.



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The Transferee Company is a listed company, having its equity shares listed on Bombay Stock Exchange

o Borax Morarji Limited, ("BML" or "the Transferor Company")

Borax Morarji Limited, ("BML" or "the Transferor Company"), was originally incorporated as a public limited company under the name and style of "Borax Morarji Limited" on August 27, 1963 under the Companies Act, 1956 vide Corporate Identity Number L24100MH1963PLC012706 with having its registered office at Prospect Chambers, 317-21, Dr D.N.Road, Mumbai 400001, Maharashtra

The Transferor Company is primarily engaged in the business of manufacturing and dealing in Borax and Boric Acid.

The Transferor Company is a listed company, having its equity shares listed on Bombay Stock Exchange

■ SCOPE AND PURPOSE OF THIS REPORT

We have been informed that the Board of Directors of The Dharamsi Morarji Chemical Company Limited, ("DMCC" or "the Transferee Company"), is proposing a Scheme of Amalgamation between Borax Morarji Limited, ("BML" or "the Transferor Company") and The Dharamsi Morarji Chemical Company Limited, ("DMCC" or "the Transferee Company"), under section 230 to 232 read with section 52 of the companies act, 2013 and other applicable provisions of the companies act, 2013 and rules framed thereunder.

Upon the coming into effect of this Scheme and with effect from the Appointed Date, the Transferor Company together with all the respective properties, assets, investments, liabilities, rights, benefits, interests, title or power of every kind, nature, description and obligations therein shall, pursuant to the provisions of Section 230 to 232 of the Act and in accordance with Section 2(1B) of the Income-tax Act, 1961, without any further act, deed, matter or thing, be and stand merged and transferred to and vested in and shall be deemed to be transferred to and vested in the Transferee Company on a going concern basis and shall become the property of and an integral part of the Transferee Company.

Upon the coming into effect of this Scheme and in consideration for the transfer of and vesting of the assets and liabilities of the Transferor Company into the Transferee Company pursuant to merger, the Transferee Company shall issue and allot at fair values, credited as fully paid up, to the members of the Transferor Company or to such of their respective heirs, executors, administrators or other legal representatives or other successors in title as may be recognized



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by the Board of Directors of the Transferor Company and approved by them whose names appear in the Register of Members on the Record Date as under:

In this connection, to comply with the regulatory requirements of Proposed Amalgamation the management of DMCC has appointed VBDFSL to provide fairness opinion on the Valuation Report dated 02/03/2017 issued by SSPA & CO., Chartered Accountant, Mumbai certifying the Exchange Ratio in the matter of on the Proposed Scheme of Amalgamation from financial point of view and not on fairness or economic rationale of the Proposed Amalgamation per se.

The purpose of the opinion is to safeguard the interest of the shareholders of the DMCC and this opinion shall be made available to the Board of Directors / Shareholders / of the DMCC to facilitate their approval to the proposed Scheme of Amalgamation and to any other relevant authority, as may be required.

This report is subject to the scope, limitations and disclaimers detailed herein after. As such the report is to be read in totality, not in parts and in conjunction with relevant documents referred to herein. This report is issued only for the purpose for facilitating the Proposed Amalgamation of DMCC with BML. THIS FAIRNESS OPINION IS RESTRICTED TO MEET THE REQUIREMENTS THE SEBI CIRCULAR NO CIR/CFD/CMD/16/2015 dated November 30, 2015 ONLY AND MAY NOT BE USED FOR ANY OTHER PURPOSE WHATSOEVER OR TO MEET THE REQUIREMENTS OF OTHER LAWS, RULES, REGULATIONS AND STATUES.

• SOURCES OF INFORMATION

We have relied on the following information in issuing this fairness opinion for the purpose of Proposed Amalgamation.

- o Draft Scheme of Amalgamation of DMCC with BML duly certified by management of DMCC
- o Audited financial statement of the DMCC and BML for the year ended March 31, 2016
- o Valuation Report dated 02/03/2017 issued by SSPA & CO., Chartered Accountants, Mumbai certifying the Exchange Ratio
- o Such other information, documents, data, reports, discussions and verbal & written explanations from DMCC as well as advisors for merger/amalgamation to DMCC, public domain websites, as were considered relevant for the purpose of the Fairness Opinion.



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■ RATIONALE OF SCHEME OF PROPOSED AMALGAMATION

We have been informed that the rationale for Proposed Amalgamation is as under:

- Since the Transferor Company is engaged in the business of manufacturing and dealing in Borax and Boric Acid and the Transferee Company is primarily engaged in the business of manufacture of acids, salts, tannin extracts, chemical pigments, industrial and other preparations and articles, compounds, oils, paints, pigments and varnishes, drug, dyeware paint and others, the proposed amalgamation would enable the Transferee Company to focus and create a more competitive business both in scale and operations.
- The Transferee Company would develop long-term corporate strategies and financial policies with respect to the combined business and harness synergies on consolidation of business, thus enabling better management and accelerated growth of the Transferor Company.
- The proposed amalgamation and restructuring would result in the following benefits:
 - a. Operational rationalization, organizational efficiency and optimal utilization of various resources due to pooling of management, administrative and technical skills of various resources of both the companies, better administration, and cost reduction, including reduction in managerial, administrative and other common costs;
 - b. Focused attention approach on the businesses and better alignment, coordination and streamlining of day to day operations of both the companies, leading to improvement in overall working culture and environment;
 - c. Creation of value for various stakeholders and shareholders of both the companies, as a result of all of the foregoing; and
 - d. Greater administrative efficiency

■ DISCLAIMER, EXCLUSIONS AND LIMITATIONS OF SCOPE

- Our opinion and analysis is limited to the extent of review of documents as provided to us by DMCC and Proposed Scheme of Amalgamation of DMCC and BML.
- We have relied upon the accuracy and completeness of all information provided to us without carrying out due diligence and independent verification or validation of such information to establish its accuracy and sufficiency. We have not conducted any independent Valuation or appraisal of any assets and liabilities of DMCC and BML. No responsibility is assumed for information furnished by the Company and such information is believed to be reliable.



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- We have been informed that all information relevant for the purpose of issuing Fairness Opinion has been disclosed to us and we are not aware of any material information that has been omitted or remains undisclosed.
- We have relied exclusively on Valuation Report prepared and issued by SSPA & CO., Chartered Accountant without independent verification. We have not independently checked or verified the assumptions made in the valuation report.
- Our fairness opinion assumes that the title to assets and liabilities of the both companies as reflected in their respective balance sheets is intact.
- We have not conducted visit to locations of production and/or point of sales of the Company. The robustness of the analysis is highly dependent on reasonableness, commercial viability and achievability of assumptions underlying the forecast. We are not required to and have not validated the reasonableness and commercial viability underlying the forecasts and assumptions.
- The realization of the projections is dependent on the continuing validity of assumptions. Our review cannot be directed to providing any assurance about the achievability of the final projections. Since projections relate to future, the actual results are likely to be different from projected results and differences may be material and it may have material impact on our conclusion. For the purpose of this report, we have assumed that the projections as envisaged by the both companies and reflected in valuation report will materialize as projected.
- We have not conducted any evaluation of solvency or fair value of the Company under any laws relating to bankruptcy, insolvency or similar matters.
- We do not express any opinion as to the price at which shares of DMCC may trade at any time including subsequent to the date of this opinion or post amalgamation.
- We do not express any opinion as to tax or other consequences that may arise from the Proposed Scheme of Amalgamation between DMCC and BME and their respective shareholders, nor does our opinion address any legal, tax regulatory or accounting matters as to which we understand that the respective companies have obtained necessary professional advice.
- Complying with the regulatory requirements for the Proposed Scheme of Amalgamation including and not limited to SEBI Rules and Regulations, Stock



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Exchange Regulations, Companies Act 1956, Companies Act 2013 and other applicable laws and regulations is the exclusive responsibility of the Board of Directors of DMCC.

- o This report is prepared primarily to comply with regulatory requirements of the Proposed Scheme of Amalgamation. The report does not look into business / commercial reasons behind the Proposed Scheme of Amalgamation nor the likely benefits arising out of the same which is the exclusive responsibility of Board of Directors of the respective companies. Similarly our report does not address relative merits of the Proposed Amalgamation as compared with any other alternative business transactions or other alternatives.
- o This fairness opinion at best is only an 'opinion'. This report does not express any opinion nor makes recommendation as to how the shareholders of companies should vote at any shareholders' meeting to be held in connection with the Proposed Scheme of Amalgamation. It is the prerogative of shareholders to either accept or reject our fairness opinion. The shareholders of companies may do so at their risk and responsibility after undertaking necessary due diligence and evaluation. The responsibility for any decision would remain with the decision maker i.e. shareholders.
- o Prior to issuance of this Fairness Opinion, the contents and factual accuracies of this Report was reviewed and approved by the management of the Company.
- o We assume no responsibility in updating or revising our opinion based on the circumstances or events accruing after the date hereof.
- o This fairness opinion shall have no value if for any reasons the proposed scheme of amalgamation is terminated or called off.
- o The fee for the engagement is not contingent upon the results reported.
- o We owe responsibility only to the Board of Directors of DMCC as per the terms of our engagement letter and nobody else. We do not accept any liability to any shareholder, employees, tax authorities or other third parties in relation to the issue of this report. Our liability if any, under any and all circumstances shall be limited to fees received by us for undertaking this assignment.



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• VALUATION REPORT

We have reviewed the Valuation Report dated 02/03/2017 issued by SSPA & CO., Chartered Accountants certifying the swap ratio for the proposed amalgamation between DMCC and BME.

Following methods are used to value both transferor and transferee.

- Discounted Cash Flow Method
- Market Price Approach
- Comparable Companies Multiple Method

After valuing both companies individually, SSPA & CO., Chartered Accountants have arrived at swap ratio of 1:2 i.e. 22,59,849 equity shares of DMCC for 45,19,698 equity Shares of BME. According to the principles of equity market hypothesis, everything is generally factored in market price. Assuming that only market price method was to be used to the exclusion of other methods, the swap ratio between the Transferee Company and the Transferor Company will still be 1:2.

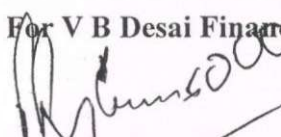
Further, SSPA & CO., Chartered Accountants have arrived at swap ratio of 108:10 i.e., 8,33,333 equity shares of DMCC for 90,00,000 8% Cumulative Non-Convertible preference shares of BME.

• OPINION

Based on the facts and circumstances of the case and according to information and explanation provided to us together with exclusions & limitations mentioned herein above, we state that in our opinion and to the best of our information and knowledge, Exchange Ratio as recommended by SSPA & CO., Chartered Accountants, for the Proposed Scheme of Amalgamation seems fair and reasonable purely from financial point of view.

Thank You,

For V B Desai Financial Services Limited


Pradip Shroff

Managing Director

