Annexure-III

(36)

Valuation Report on

Exchange Ratio of Shares upon amalgamation of

Gufic Stridden Bio-Pharma Pvt Ltd

with

Gufic Biosciences Limited

Prepared by:
V. I. Bhatia & Co.
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Hiranandani Gardens
Powai
Mumbai - 400 076
Tel: 022- 25705977

GUFIC BIOSCIENCES LTD. MUMBAI

V. I. Bhatia & Co.
Chartered Accountants

37

Date: 23rd November 2016

The Board of Directors
Gufic Biosciences Limited
Shop - 37, First Floor, Kamala Bhavan II,
S Nityanand Road, Andheri East,
Mumbai - 400 069.

The Board of Directors
Gufic Stridden Bio-Pharma Pvt Ltd
NH No.8, Near Grid, Kabilpore, Navsari,
Gujarat.

Dear Sir,

Sub: Recommendation of fair exchange ratio for the purpose of the proposed merger of *Gufic Stridden Bio-Pharma Pvt Ltd with Gufic Biosciences Limited*

We refer to the engagement letter dated 1st November 2016 with **V. I. Bhatia & Co.** ("VIB" the "Valuer" or "We"), wherein **Gufic Stridden Bio-Pharma Pvt Ltd** ("GSB") and **Gufic Biosciences Limited** ("GBL") (together referred to as "the Companies") have requested us to recommend an exchange ratio in connection with the proposed merger of Gufic Stridden Bio-Pharma Pvt Ltd with Gufic Biosciences Limited (the "Transaction").

We hereby enclose the Report on Valuation of Equity Shares. The sole purpose of this report is to assist the Company in determining the fair value of the equity shares of the Companies in accordance with Discounted Cash Flow Method of valuation.

Based on the Scope and *limitations of work, Sources of information and* Valuation methodology of the report and the explanations therein, the fair value of the equity shares of **GSB** amounts to **Rs.1,248/- Per Share** and **GBL** amounts to **Rs.52/- Per Share.**

Thanking you,

Yours faithfully,
For V. I. Bhatia & Co.
Chartered Accountants

Vijay Bhatia
(Proprietor)

Place: Mumbai
Date: 23rd November, 2016

103, Gateway Plaza, Hiranandani Gardens, Powai, Mumbai – 400 076
Tel.:2570 5977, 4924 5801,
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38

Table of Contents

GUFIC BIOSCIENCES LTD. MUMBAI

39

LIST OF ABBREVIATIONS

ABBREVIATIONS	PARTICULARS
GBL	Gufic Biosciences Limited
GSB	Gufic Stridden Bio-Pharma Pvt Ltd
VIB	V. I. Bhatia & Co.
ICAI	The Institute of Chartered Accountants of India
DCF	Discounted Cash Flow
BV	Book Value
MPS	Market Price Per Share
CAPEX	Capital Expenditure
PBT	Profit Before Tax
PAT	Profit After Tax
CF	Cash Flow
WACC	Weighted Average Cost of Capital
CAPM	Capital Asset Pricing Model
Rf	Risk free rate of return
Rm	Return on diversified market portfolio return
ECM	Earning Capitalisation Method

40

Chapter 1: INTRODUCTION

We understand that the respective Boards of the Companies propose to merge GSB with GBL with effect from the Appointed Date of 01 April 2016. by implementing a Scheme of Amalgamation under the provisions of Sections 391-394 of the Companies Act 1956 ('"Scheme of Amalgamation")& relevant provisions of the Companies Act 2013. As part of the proposed merger, GSB will cease to exist, and as a consideration for their equity shares the shareholders of GSB will be issued equity share of GBL.

VIB has been requested by the respective Boards of the Companies to submit a report recommending a fair exchange ratio in connection with the Transaction ("the Valuation Report").

We have carried out a relative valuation of the equity shares of GSB and GBL as of 23rd November 2016 with a view to arrive at the fair exchange ratio for the purpose of the proposed merger of GSB with GBL.

Valuation Report

This Valuation Report is subject to the scope, assumptions, exclusions, limitations and disclaimers detailed hereinafter. As such the Valuation Report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein.

Valuations have been computed assuming a reasonably good economic and business environment with factoring of all known risk factors. The methodology adopted may not be the sole criteria for valuing the business and may vary for different categories of stakeholders. The perspective and intrinsic business value build-up is based on current facts and our perceived achievable targets.

SCOPE OF WORK, LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS AND DISCLAIMERS

Scope of Work

We have been mandated by GBL for determining the Share Exchange Ratio, upon amalgamation of GSB with GBL. For determining the Exchange Ratio, GSB and GBL have to be valued on standalone basis.

Our Report is based on factual data, business details, and financial projections as provided to us by the management of GSB and GBL.

Our scope of work does not include verification of data submitted by the management of GSB and GBL and we have relied upon the data so submitted. We have prima facie analysed the data and formed our views. It is not an audit of Financial Statements or other financial information including financial projections and, therefore, cannot give the same level of assurance as an audit. The service does not represent accounting, assurance, accounting/ tax due diligence, consulting or tax related services that may otherwise be provided by us or our affiliates.

41

Limitations

It may be noted that valuation is a highly subjective exercise and the opinion on valuation may differ from valuers to valuers depending on the individual perception of the attendant circumstances. At best, it is an expression of opinion or a recommendation based on certain assumptions. As specified by ICAI Technical Guide on Valuation, 2009 Edition, we are to state that:-

a) Valuation does not include the Auditing of Financial Data provided by management, and therefore we do not take any responsibility for its accuracy and completeness.
b) Valuation should not be considered as an opinion on the achievability of Financial Projections either mentioned in, or relied upon for this Report.

This Report is to be considered only for the purpose of determining the Exchange Ratio of equity shares of GSB to be issued pursuant to GSB's amalgamation with GBL.

QUALIFICATIONS

This Valuation Report, its contents and the results herein are specific to (i) the purpose of valuation agreed as per the terms of our engagement; (ii) the date of this Valuation Report and (iii) are based on the balance sheet of the Companies as at 31 March 2016. The Management has represented that the business activities of GSB and GBL have been carried out in the normal and ordinary course between 31 March 2016 and the Valuation Date and that no material adverse change has occurred in their respective operations and financial position between 31 March 2016 and the Valuation Date. A valuation of this nature is necessarily based on prevailing stock market, financial, economic and other conditions in general and industry trends in particular as in effect on, and the information made available to us as of, the date hereof. Events occurring after the date hereof may affect this Valuation Report and the assumptions used in preparing it, and we do not assume any obligation to update, revise or reaffirm this Valuation Report.

The recommendation(s) rendered in this Valuation Report only represent our recommendation(s) based upon information received till 23rd November 2016 furnished by the Companies and other sources and the said recommendation(s) shall be considered to be in the nature of non-binding advice,(our recommendation will however not be used for advising anybody to take buy or sell decision, for which specific opinion needs to be taken from expert advisors). Further, the determination of exchange ratio is not a precise science and the conclusions arrived at in many cases will of necessity, be subjective and dependent on the exercise of individual judgment. There is, therefore, no indisputable single exchange ratio. While we have provided our recommendation of the exchange ratio based on the information available to us and within the scope and constraints of our engagement, others may have a different opinion as to the exchange ratio of equity shares of GSB and GBL. You acknowledge and agree that you have the final responsibility for the determination of the exchange ratio at which the proposed merger shall take place and factors other than our Valuation Report will need to be taken into account in determining the exchange ratio; these will include your own assessment of the proposed Transaction and may include the input of other professional advisors.

In the course of the valuation, we were provided with both written and verbal information, including market, technical, financial and operating data.

ASSUMPTIONS AND EXCLUSIONS

In accordance with the terms of our respective engagements, we have assumed and relied upon, without independent verification, (i) the accuracy of the information that was publicly available and formed a substantial basis for this Valuation Report and (ii) the accuracy of information made available to us by the Companies. We have not carried out a due diligence or audit of the Companies for the purpose of this engagement, nor have we independently investigated or otherwise verified the data provided. We are not legal or regulatory advisors with respect to legal and regulatory matters for the Transaction. We do not express any form of assurance that the financial information or other information as prepared and provided by the Companies is accurate. Also, with respect to explanations and information sought from the Companies, we have been given to understand by the Companies that they have not omitted any relevant and material factors and that they have checked the relevance or materiality of any specific information to the present exercise with us in case of any doubt. Accordingly, we do not express any opinion or offer any form of assurance regarding its accuracy and completeness. Our conclusions are based on these assumptions and information given by/on behalf of the Companies. The respective Managements of the Companies have indicated to us that they have understood that any omissions, inaccuracies or misstatements may materially affect our valuation analysis / results. Accordingly, we assume no responsibility for any errors in the information furnished by the Companies and their impact on the Valuation Report. Also, we assume no responsibility for technical information (if any) furnished by the Companies. However nothing has come to our attention to indicate that the information provided was materially mis-stated/ incorrect or would not afford reasonable grounds upon which to base the Valuation Report. We do not imply and it should not be construed that we have verified any of the information provided to us, or that our inquiries could have verified any matter, which a more extensive examination might disclose.

The Valuation Report assumes that the Companies comply fully with relevant laws and regulations applicable in all its areas of operations unless otherwise stated, and that the Companies will be managed in a competent and responsible manner. Further, except as specifically stated to the contrary, this Valuation Report has given no consideration to matters of a legal nature, including issues of legal title and compliance with local laws, and litigation and other contingent liabilities that are not recorded in audited balance sheet of the Companies. Our conclusion of value assumes that the assets and liabilities of the Companies, reflected in their respective latest balance sheets remain intact as of the Valuation Date.

This Valuation Report does not address the relative merits of the Transaction as compared with any other alternative business transaction, or other alternatives. or whether or not such alternatives could be achieved or are available.

No investigation of the Company's claim to title of assets has been made for the purpose of this Valuation Report and the Company's claim to such rights has been assumed to be valid. No consideration has been given to liens or encumbrances against the assets, beyond the loans disclosed in the accounts. Therefore, no responsibility is assumed for matters of a legal nature. The book values of the assets and liabilities of the Companies have been

43

considered as representative of their intrinsic value in the absence of any report of external valuers.

The fee for this engagement is not contingent upon the results reported.

We owe responsibility to only the Board of Directors of the Companies which have retained us, and nobody else. We will not be liable for any losses, claims, damages or liabilities arising out of the actions taken, omissions of or advice given by any other to GSB or GBL.

We do not accept any liability to any third party in relation to the issue of this Valuation Report. This Valuation Report is not a substitute for the third party's own due diligence/ appraisal/ enquiries/ independent advice that the third party should undertake for his purpose. It is understood that this analysis does not represent a fairness opinion.

This Valuation Report is subject to the laws of India

Disclaimer

The Valuation Advisory Report on Exchange Ratio of shares upon amalgamation of GSB with GBL ("Report") has been prepared by VIB from information extracted from desk research, published reports and other data supplied by the management of GSB and GBL and other sources believed to be reliable and true. The Report cannot be distributed, published, reproduced or used, without prior express written consent of VIB.

GSB and GBL have provided the factual data, business details, and projected financial statements on which VIB has relied. While the information provided herein is believed to be true and reliable to the best of our knowledge and belief, we do not make any representations or warranties, express or implied, as to the accuracy or completeness of such information.

In furnishing the Report, VIB reserves the right to amend or replace the Report at any time. The information contained herein is based on certain assumptions and analysis of information provided by the management of GSB and GBL, available at the time the Report was prepared. VIB does not purport to give any representation, warranty or other assurance in relation to this Report.

The Report highlights the approach of the valuation, identifies various factors affecting the valuation, summarizes the methodology adopted keeping in view the circumstances of GSB and GBL and arrives at the value of the GSB and GBL.

The purpose of this Report is to value GSB and GBL tor the purpose of arriving at the Share Exchange Ratio pursuant to the amalgamation of GSB and GBL as on 23rd November, 2016 ("Appointed Date").

Chapter 2: COMPANY PROFILE

Gufic Biosciences Limited ("GBL"), incorporated in 1970, is an Indian public limited company listed on BSE Limited and National Stock Exchange of India.

GBL is in the Pharmaceutical industry and is known for Innovative, high Quality pharmaceutical and Herbal Products. It is one of the largest manufacturers of Lyophilized injections in India and has a fully automated lyophilization plant. Its lyophilized product portfolio includes Antibiotic, Antifungal, Cardiac, Infertility, Antiviral and proton-pump inhibitor segments.

The products are supplied to most major hospital chains and leading medical facilities and it has an extensive network of representatives promoting these products all across India

Capital Structure:

The Capital Structure of the company as on 31st March 2016

Particulars	**Amount (in Rupees)**
Authorised Share Capital 10,00,00,000/- Equity Share of Rs.1/- each	10,00,00,000
Subscribed and Paid up Share Capital 7,73,50,000/- Equity shares of Rs.1/- each	7,73,50,000

Financial Performance:

Summary of Profit and Loss Account (Rs. in Lakhs)

Particulars	**F.Y.2015-16**	**F.Y. 2014-15**
Total Income	20,286.01	15,212.32
Total Expenses	19,166.91	14,559.72
PBT	1,119.10	652.60
Tax	386.67	236.85
PAT	732.43	415.75

Summary of Balance Sheet (Rs. in Lakhs)

Particulars	**F.Y.2015-16**	**F.Y. 2014-15**
Share Capital	773.50	773.50
Reserves & Surplus	2,622.38	1,936.50
Net Worth	3,395.88	2,710.00
Non-Current Liabilities	1,456.43	1,657.84
Current Liabilities	10,367.61	8,360.95
TOTAL LIABILITIES	15,219.92	12,728.80
Net Block	2,214.67	2,510.70
Other Non-Current Assets	1,040.35	1,070.19
Current Assets	11,964.90	9,147.90
TOTAL ASSETS	15,219.92	12,728.80

45

Gufic Stridden Bio-Pharma Pvt Ltd ("GSB"), incorporated in 2007, is an Indian Private Limited company.

GSB is in the Pharmaceutical industry and is known for its International Marketing and Export of products manufactured on Loan License or Third party from WHO GMP approved manufacturing plants. GSB mission is to represent world class pharmaceutical specialty products covering wide range of therapeutic categories as Anti-bacterials, Muscle relaxants, Proton Pump Inhibitors, Cardio-vasculars, Antifungals, NSAIDs, Gonadotrophin Releasing Antagonist and Antifibrinolytic .

The countries is which they have exports drugs are Srilanka, Myanmar, Vietnam, Thailand, Philippines, Cambodia ,Kenya, Nigeria, Cameroon, Congo, Venezuela, Panama, Costarica, Chile, Peru, Kazakhstan, Russia etc.

Capital Structure:

The Capital Structure of the company as on 31st March 2016

Particulars	**Amount (in Rupees)**
Authorised Share Capital 20,000/- Equity Share of Rs.10/- each	2,00,000
Subscribed and Paid up Share Capital 20,000/- Equity shares of Rs.10/- each	2,00,000

Financial Performance:

Summary of Profit and Loss Account (Rs. in Lakhs)

Particulars	**F.Y.2015-16**	**F.Y. 2014-15**
Total Income	582.20	277.74
Total Expenses	515.77	370.53
PBT	66.43	(92.79)
Tax	10.23	(0.23)
PAT	56.21	(92.56)

Summary of Balance Sheet (Rs. in Lakhs)

Particulars	**F.Y.2015-16**	**F.Y. 2014-15**
Share Capital	2.00	2.00
Reserves & Surplus	(34.46)	(90.67)
Net Worth	(32.46)	(88.67)
Non-Current Liabilities	101.30	99.77
Current Liabilities	275.73	234.64
TOTAL LIABILITIES	344.57	245.74
Net Block	46.34	59.12
Other Non-Current Assets	0.00	0.00
Current Assets	298.23	186.62
TOTAL ASSETS	344.57	245.74

46

Chapter 3: OBJECTIVE AND RATIONALE OF VALUATION

Objective of this Report

The objective of this Report is to value, for the purpose of advising on the Exchange Ratio of shares, both the Transferor and the Transferee Companies. It is based on the fair valuation of the business of the Transferor Company and the Transferee Company.

Rationale of Amalgamation

a) Both Companies are engaged in the similar business of Pharmaceuticals.

b) Economies of scale as both the businesses will be one which will reduce common overheads, manpower and eventually total costs.

c) GBL will be able to capture market in which GSB has applied for new Dozier licenses. This will generate higher revenues in future years.

d) Improved Corporate Governance.

e) All the Intellectual Property Rights of Transferee Company will transfer to the Transferor Company resulting to direct access to new market and distributors.

f) The amalgamation will enable pooling of resources of the companies involved in amalgamation to their common advantage, resulting in more productive utilization of the said resources, cost & operational efficiencies, which would be beneficial for all stakeholders.

g) The proposed amalgamation will provide a stronger and financial structure to the businesses of the companies besides synergy of operations and making a more profitable organization with a greater potential for growth.

h) The amalgamation would result in the creation of a company with much larger asset base and a net worth with strong financials enabling further growth and development of the businesses of the said companies and also enable the resultant Company to withstand all kinds of risks associated with global business and the growing competition in the international scenario.

i) The proposed amalgamation will result in reduction in overheads and other expenses, economies of scale, reduction in administrative and procedural work and eliminate duplication of work and will enable the undertakings concerned to effect internal economies and optimize productivity.

47

Chapter 4: VALUATION METHODOLOGY

The valuation methodology to be adopted varies from case to case depending upon different factors affecting valuation. The basis of valuation would depend on the purpose of valuation, nature of business, future prospects of the company & industry and other attendant circumstances. Different methodologies are adopted for valuation of manufacturing, investment, property and trading companies. Investment and property companies are valued based on the market value or fair value of their underlying assets while manufacturing companies are valued in relation to profits from business and relative value of assets. Different methodologies used for the purpose of valuation are explained below:

(A) Discounted Free Cash Flow Method (DCF)

DCF methodology expresses the present value of a 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. It recognizes that money has a time value by discounting future cash flows at an appropriate discount factor. This method is used to determine the present value of a business on a going concern assumption. The DCF methodology depends on the projection of the future cash flows and the selection of an appropriate discount factor.

When valuing a business on a DCF basis, the objective is to determine a net present value of the cash flows ("CF") arising from the business over a future select period of time (say 5 years), which period is called the explicit forecast period. Free cash flows are defined to include all inflows and outflows associated with the project prior to debt service, such as taxes, amount invested in working capital and capital expenditure. Under the DCF methodology, value must be placed both on the explicit cash flows as stated above, and the ongoing cash flows a company will generate after the explicit forecast period. The latter value, also known as terminal value, is also to be estimated.

The future cash flows can be projected; the less sensitive the valuation is to inaccuracies in the assumed terminal value. Therefore, the longer the period covered by the projection, the less reliable the projections are likely to be. For this reason, the approach is used to value businesses, where the future cash flows can be projected with a reasonable degree of reliability. For example, in a fast changing market like telecom or even automobile, the explicit period typically cannot be more than at least 5 years. Any projection beyond that would be mostly speculation.

The discount rate applied to estimate the present value of explicit forecast period free cash flows as also continuing value, is taken at the "Weighted Average Cost of Capital" (WACC). One of the advantages of the DCF approach is that it permits the various elements that make up the discount factor to be considered separately, and thus, the effect of the variations in the assumptions can be modeled more easily. The principal elements of WACC are cost of equity (which is the desired rate of return for an equity investor given the risk profile of the company and associated cash flows), the post-tax cost of debt and the target capital structure of the company (a function of debt to equity ratio). In turn, cost of equity is derived, on the basis of capital asset pricing model (CAPM), as a function of risk-free rate, Beta (an estimate of risk profile of the company relative to equity market) and equity risk premium assigned to the subject equity market.

Value obtained by using DCF method gives us the Enterprise Value; and adjustment for the loans as on the valuation date gives us the Equity Value.

This method is generally used when there is reasonable certainty on the timing, quantum and quality of the cash flows, which has its close coupling with the underlying assets (e.g. in case of a manufacturing company). It is the most commonly used valuation technique and is widely accepted by valuers because of its intrinsic merits, some of which are given below:

(a) It is a very sound model because it is based up on expected future cash flows of a company that will determine an investor's actual return.

(b) It is based on the expectations of performance specific to the business, and is not influenced by short-term market conditions or non-economic indicators.

(c) It is not as vulnerable to accounting conventions like depreciation, inventory valuation in comparison with the other techniques/approaches since it is based on cash flows rather than accounting profits.

(B) <u>Market Value Method (MVM)</u>

The market price of an equity share as quoted on a stock exchange is normally considered as the value of the equity shares of that company where such quotations are arising from the shares being regularly and freely traded in, subject to the element of speculative support that may be inbuilt in the value of the shares. But there could be situations where the value of the share as quoted on the stock market would not be regarded as a proper index of the fair value of the share especially where the market values are fluctuating in a volatile capital market.

In addition to the above, in the case of a merger, where there is a question of evaluating the shares of one company against those of another, the volume of transactions and the number of shares available for trading on the stock exchange over a reasonable period would have to be of a comparable standard.

The shares of GBL are not frequently traded. Further, the shares of GSB are unlisted and hence, market price is not known. We have considered the six months average Market Price for our valuation analysis of GBL.

49

(C) Earning Capitalisation Method (ECM)

The basic of this approach is to find the normalized earning capacity of the business and to capitalise it on the basis of appropriate rate considering the business fundamentals of business cycle, safety, return and time. In this method, future maintainable profit of the company is calculated. Alternately, an appropriate multiple can be used with the normalized earnings to arrive at fair estimation of business value (Market Price per Share "MPS")

The important task is to determine two factors:

i. Profit After Tax (PAT) and

ii. Rate of capitalization or multiple for capitalization

The average annual maintainable PAT should be representative and is generally determined based on average past earnings, or future projected earnings where the past earnings are not representative of the future earning potential of the business. The capitalization rate is taken based at P/E Multiple (MPS/EPS) of the industry on the rate of return expected by the equity shareholders of the company.

Chapter 5: METHODOLOGY ADOPTED FOR VALUATION OF GSB and GBL

Methods adopted for valuation of GBL & GSB
The valuation of GBL has been done on the basis of Weighted Average of DCF and Market Value Method with weightage assigned as mentioned in this Chapter of the report. The valuation of GSB has been done on the basis of Weighted Average of DCF and ECM Method with weightage assigned as mentioned in this Chapter of the report.

(A) <u>DCF Method</u>

Based on the assumptions and business plans provided by the management, GBL and GSB are valued on Discounted Cash flow (DCF) basis as given below:

i. <u>Free Cash Flow</u>
Explicit Period: FY 2016-17 to FY 2020-21 (5 years).

ii. <u>Period considered for projections</u>
We have considered a period of 5 operating years starting from FY 2016-17 for the purpose of valuation so as to cover a business cycle.

Moreover, the longer the period covered by the projection, the less reliable the projections are likely to be. For this reason, the approach is used to value businesses, where the future cash flows can be projected with a reasonable degree of reliability. For example, in a fast changing market like automobile or manufacturing, the explicit period typically cannot be more than 5 years.

iii. <u>Discounting Factor</u>
In determining the present value of the cash flows that are available to firm, the discount rate used is Cost of Capital of the entity, i.e. Weighted Average Cost of Capital (WACC). This reflects the opportunity cost of the Company

WACC is arrived at by using the following formula:
*=(Cost of Equity * Shareholders Funds/ Total Funds)+(Cost of Debt * Debt / Total Funds)*

<u>Cost of Equity</u>
The cost of equity has been determined by using Capital Asset Pricing model (CAPM). This has been computed as follows:
Cost of equity= Rf + [Rm- Rf} (Beta)

Where;
Rf denotes risk free rate of return
Rm denotes return on diversified market portfolio return
Rm-Rf is the market premium risk
Beta is the systematic risk factor

Equity valuation of GBL as per DCF Method is Rs.48,515.64 lakhs or Rs. 62.72 per share based on 7,73,50,000 equity shares of Rs.1/- each.

Equity valuation of GSB as per DCF Method is Rs. 588.87 lakhs or Rs. 2,944.36 per share based on 20,000 equity shares of Rs.10/- each.

51

Based on the valuation elucidated, the valuation of GSB and GBL is given below:

DCF Valuation - Gufic Stridden Bio-Pharma Pvt Ltd(GSB)

(Rs.in Lakhs)

Financial Year	Gross Receipts	Expenses for the year	Profit / (Loss) for the year	Income Tax	Earning After Tax (A)	Depreciation for the year (B)	CAPEX (C)	Free Cash D = (A+B-C)	Disc. Factor 14%	DCF
2017	800.00	704.00	96.00	29.66	66.34	16.99	70.00	13.33	0.88	11.69
2018	920.00	809.60	110.40	36.50	73.90	15.25	70.00	19.15	0.77	14.73
2019	1,058.00	931.04	126.96	41.98	84.98	14.82	70.00	29.80	0.67	20.12
2020	1,216.70	1,070.70	146.00	48.27	97.73	14.28	70.00	42.01	0.59	24.87
2021	1,399.21	1,217.31	181.90	60.14	121.76	13.86	70.00	65.62	0.52	34.08
						Net Present Value			**(E)**	**105.49**
						Terminal Value			**(F)**	**584.96**
						Value of the Business			(G) = (E + F)	**690.45**
						Debt of the Company			**(H)**	101.58
						Equity Value of Company			I = (G - H)	**588.87**
						No. of Shares			**(J)**	20,000
						Value per share (Rs.)			I/(J/1,00,000)	**2,944.36**

52

DCF Valuation - Gufic Biosciences Limited(GBL)

										(Rs. In Lakhs)
Financial Year	Gross Receipts	Expenses for the year	Profit / (Loss) for the year	Income Tax	Earning After Tax (A)	Depreciation for the year (B)	CAPEX (C)	Free Cash D = (A+B-C)	Disc. Factor 14 %	D C F
2017	26,502.22	23,852.00	2,650.22	917.19	1,733.03	323.69	300.60	1,756.12	0.88	1,540.46
2018	31,802.66	28,622.40	3,180.27	1,100.63	2,079.64	300.71	300.42	2,079.93	0.77	1,600.44
2019	38,163.20	34,346.88	3,816.32	1,320.75	2,495.57	219.48	290.12	2,424.93	0.67	1,636.76
2020	45,795.84	39,842.38	5,953.46	2,060.37	3,893.09	166.36	275.96	3,783.49	0.59	2,240.13
2021	54,955.00	47,810.85	7,144.15	2,472.45	4,671.70	143.79	400.75	4,414.74	0.52	2,292.88
						Net Present Value			(E)	**9,310.66**
						Terminal Value			(F)	**43,480.70**
						Value of the Business			(G) = (E + F)	**52,791.36**
						Debt of the Company			(H)	4,275.72
						Equity Value of Company			I = (G - H)	**48,515.64**
						No. of Shares			(J)	7,73,50,000
						Value per share (Rs.)			I/[J/1,00,000]	**62.72**

53

(B) Market Value Method (MVM)

The market Value of GBL is computed by taking last six months weighted average price preceding from valuation date.

Therefore the Equity valuation of GBL as per MV Method is Rs. 32,487/- Lakhs or Rs.42/- per share. The Share of GSB is unlisted and hence, market value cannot be determined.

(C) Earning Capacity Value Method(ECM)

Based on the assumptions and business plans provided by the management, GSB is valued on Earning Capacity Method basis as given below:

- Profit Before Interest and Tax
  Explicit Period: FY 2013-14 to FY 2015-16 (3 years)

- Period considered for projections
  We have considered a period of 3 operating years starting from FY 2013-14 for the purpose of valuation.

- Capitalisation Factor
  In determining the Equity value of the company the capitalisation factor taken is the cost of equity.

ECM Calculation

Particulars	2015-16	2014-15	2013-14	
EBIT(E)	75.25	(83.68)	58.78	
Weight(W)	2.00	1.00	1.00	4.00
E*W	150.50	(83.68)	58.78	125.60
Weighted Average				**31.40**
Less : Tax @ 34.608%				10.87
Earnings After Tax				**20.53**
Capitalisation value of earning @ 15%				136.89
Less : Debt				101.58
Enterprise Value				**35.31**
No. of Shares				20,000
Value Per Share(Rs.)				**176.54**

54

Therefore, on the basis of above mentioned factors the Equity valuation of GSB as per ECV Method is Rs.35.31 Lakhs or Rs 176.54/- per share.

Weightages Assigned to the Valuation Methods Adopted:

While valuing GBL we have assigned weights 1:1 to DCF and MVM, and for GSB we have assigned weights 1:1 to DCF and ECM methods of valuation for valuing the operating business respectively.

Though there are no thumb rules of valuation, there are a few pointers/basis to valuation principles that may be applicable on a case depending upon the attendant circumstances relative to each case.

In India, the valuers generally follow the principle laid down by the Hon'ble Supreme Court of India in the landmark case of merger of Toto Oil Mills Co. Ltd. with Hindustan Levers Limited (Hindustan Lever Employees' Union vs. Hindustan Lever Limited and others {1995) 83 Comp. Cases 30 (SC)). The Court noted, "in the case of amalgamation, a combination of all or some of the methods of valuation may be adopted for the purpose of fixation of the exchange ratio of all the entities".

55

Chapter 6: VALUATION OF GSB and GBL

Based on the valuation elucidated in the previous chapters, the valuation of GSB and GBL as on 23rd November, 2016 is as follows:

(A) Valuation of GBL

Method	Equity Value Per Share(Rs.)	Weights	Weighted Equity Value per Share (Rs.)
DCF	62.72	1	62.72
MV	42.00	1	42.00
Total		2	104.72
Weighted Equity Value Per share			52.36
Value per share (Approximately)			**52**

(B) Valuation of GSB

Method	Equity Value Per Share(Rs.)	Weights	Weighted Equity Value per Share (Rs.)
DCF	2,944.36	1	2,944.36
ECM	176.54	1	176.54
Total		2	3,120.90
Weighted Average Equity Value			1,560.45
Less : Adjustment for Unlisted Shares @ 20%			312.09
Weighted Equity Value Per share			1,248.36
Value per share (Approximately)			**1,248**

56

Chapter 7: Share Exchange Ratio

Based on the valuation elucidated in Point 6, the Exchange Ratio pursuant to the amalgamation of GSB with GBL as on 23rd November, 2016, we consider that the fair exchange ratio for the merger of GSB with GBL should be 24 (Twenty Four) equity shares of GBL of Rs.1/- each fully paid up for every 1 (One) equity shares of GSB of Rs.10/- each fully paid up.

In our opinion, the above Exchange Ratio of shares would be fair and equitable to the shareholders of both the Companies

The report is to be read in whole.

DCF Valuation - Gufic Stridden Bio-Pharma Pvt Ltd(GSB)

(Rs. In Lacs)

Financial Year	Gross Receipts	Expenses for the year	Profit / (Loss) for the year	Income Tax	Earning After Tax (A)	Depreciation for the year (B)	CAPEX (C)	Free Cash D = (A+B-C)	Disc.Factor 14%	DCF
2017	800.00	704.00	96.00	29.66	66.34	16.99	70.00	13.33	0.88	11.69
2018	920.00	809.60	110.40	36.50	73.90	15.25	70.00	19.15	0.77	14.73
2019	1,058.00	931.04	126.96	41.98	84.98	14.82	70.00	29.80	0.67	20.12
2020	1,216.70	1,070.70	146.00	48.27	97.73	14.28	70.00	42.01	0.59	24.87
2021	1,399.21	1,217.31	181.90	60.14	121.76	13.86	70.00	65.62	0.52	34.08
						Net Present Value			**(E)**	**105.49**
						Terminal Value			**(F)**	**584.96**
						Value of the Business			**(G) = (E + F)**	**690.45**
						Debt of the Company			**(H)**	101.58
						Equity Value of Company			**I = (G - H)**	**588.87**
						No. of Shares			**(J)**	20,000
						Value per share (Rs.)			**I/[J/1,00,000]**	**2,944.36**

(F) Terminal Value

Free Cash Flow - Year 2021	65.62
Free Cash Flow-Year 2022@ g- 3%	67.58
WACC-g	0.06
	1,126.41
DF OF 6TH Year	0.52
Residual Value at end of Year 2022	**584.96**

GUFIC BIOSCIENCES LTD. MUMBAI *

58

DCF Valuation - Gufic Biosciences Limited (GBL)

(Rs. In Lacs)

Financial Year	Gross Receipts	Expenses for the year	Profit / (Loss) for the year	Income Tax	Earning After Tax (A)	Depreciation for the year (B)	CAPEX (C)	Free Cash D = (A+B-C)	Disc.Factor 14%	DCF
2017	26,502.22	23,852.00	2,650.22	917.19	1,733.03	323.69	300.60	1,756.12	0.88	1,540.46
2018	31,802.66	28,622.40	3,180.27	1,100.63	2,079.64	300.71	300.42	2,079.93	0.77	1,600.44
2019	38,163.20	34,346.88	3,816.32	1,320.75	2,495.57	219.48	290.12	2,424.93	0.67	1,636.76
2020	45,795.84	39,842.38	5,953.46	2,060.37	3,893.09	166.36	275.96	3,783.49	0.59	2,240.13
2021	54,955.00	47,810.85	7,144.15	2,472.45	4,671.70	143.79	400.75	4,414.74	0.52	2,292.88
						Net Present Value			**(E)**	**9,310.66**
						Terminal Value			**(F)**	**43,480.70**
						Value of the Business			**(G) = (E + F)**	**52,791.36**
						Debt of the Company			**(H)**	4,275.72
						Equity Value of Company			**I = (G - H)**	**48,515.64**
						No. of Shares			**(J)**	7,73,50,000
						Value per share (Rs.)			**I/[J/1,00,000]**	**62.72**

(F) Terminal Value

Free Cash Flow - Year 2021	4,414.74
Free Cash Flow-Year 2022 : 8% growth	4,768
WACC-g	0.06
	83,718.38
DF OF 6TH Year	0.52
Residual Value at the end of Year 2022	**43,480.70**

59

Exchange Ratio

Particulars	Amount
Value per share of Gufic Biosciences Ltd (Acquiring Co)	52.00
Value per share of Gufic Stridden Bio Pharma Pvt Ltd (FV - 10) (Target Co)	1,248.00
Exchange Ratio	**24.00**
No. of shares to be issued :	
For every share of GSB , 24 shares of GBL	
=24 (*) 20,000 shares	4,80,000
Existing Composition of Equity of Gufic Biosciences Ltd (Acquiring Co)	
Promoters (nos)	5,41,27,645
Public (nos)	2,32,22,355
Total	**7,73,50,000**
Nos. of New Equity shares Allotted	
Shareholders of GSB	4,80,000
Public	-
Total	**4,80,000**

GUFIC BIOSCIENCES LTD.

ECM Valuation - Gufic Stridden Bio-Pharma Pvt Ltd

(Rs. In Lacs)

Particulars	2015-16	2014-15	2013-14	
EBIT	75.25	(83.68)	58.78	
Weight	2.00	1.00	1.00	4.00
E*W	150.50	(83.68)	58.78	125.60
Weighted Avg				**31.40**
Less : Tax @ 34.608%				10.87
Earning After Tax				**20.53**
Capitalisation value of earning @ 15%				136.89
Less : Debt				101.58
Enterprise Value				**35.31**
No of Share				20,000
Value Per Share(Rs.)				**176.54**

GUFIC BIOSCIENCES LTD.

Weighted Average Cost of Capital

Particulars	Gufic Biosciences	Gufic Stridden
Risk Free Rate - Rf	6.82%	6.82%
Market Return - Rm	15.00%	15.00%
Equity Risk Premium	8.18%	8.18%
Beta - B	1.64	1
Cost of equity -K_e	24.60%	15.00%
Cost of Debt - K_d	13.00%	14.00%
WACC	14.00%	9.00%
Tax rate	34.61%	34.61%

Particulars	Gufic Biosciences	Gufic Stridden
Equity	3,395.88	2.00
Debt	4,275.72	101.58
Total Value	7,671.60	103.58
Cost of Equity (K_e)	0.20	0.15
Cost of Debt (K_d)	0.13	0.14
Cost of Debt (K_d) post tax	0.09	0.09
WACC	**0.14**	**0.09**

GUFIC BIOSCIENCES LTD MUMBAI

Gufic Stridden Bio-Pharma Pvt Ltd

Value Per Share

Method	Value	Weight	
Discounted Cash Flow Method	2,944.36	1	2,944.36
Earning Capitalisation Method	176.536	1	176.54
		2	3,120.90
Weighted average Value			1,560.45
Less : Adjustment for Unlisted Shares @ 20%			312.09
Value Per Share			**1,248.36**
Say Rs.			**1,248**

Gufic Biosciences Limited

Value Per Share

Method	Value	Weight	
Discounted Cash Flow Method	62.72	1	62.72
Market Value	42.00	1	42.00
		2	104.72
Value Per Share			**52.36**
Say Rs.			**52**

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