

STRICTLY PRIVATE & CONFIDENTIAL

Date: 20/08/2019

To,

The Board of Directors, Dhara Petrochemicals Private Limited 38, Gautam Nagar Society, Race Course, Vadodara-390007, Gujarat, India	The Board of Directors, Axel Polymers Limited 309, Village Mokshi, Sankarda-Savli Road, Taluka Savli, Dist. Vadodara-391780, Gujarat, India
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Sub: Fairness Opinion on the valuation carried out by M/s. MSKA & Associates, (Chartered Accountants)

Re: Proposed Amalgamation of Dhara Petrochemicals Private Limited (DPPL) (Hereinafter referred to as the "Transferor Companies") and Axel Polymers Limited (APL), (Hereinafter referred to as the "Transferee Company")

Dear Sir(s),

We, Capital Square Advisors Private Limited (CSAPL), refer to our engagement letter which has been accepted by you on August 10, 2019, whereby you have appointed us as an Independent Merchant Banker for furnishing Fairness Opinion on the basis of valuation carried out by M/s. MSKA & Associates, Chartered Accountants, vide its valuation report dated August 20, 2019, in terms of the Regulation 37 of the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015 for the propose amalgamation of Dhara Petrochemicals Private Limited (DPPL) (Hereinafter referred to as the "Transferor Companies") and Axel Polymers Limited (APL), (Hereinafter referred to as the "Transferee Company") pursuant to Scheme of Amalgamation under Section 230-232 of the Companies Act, 2013 (Hereinafter referred to as the "Proposed Transaction").

PURPOSE OF VALUATION UNDERTAKEN BY THE VALUER

- We have been informed that the Board of Directors of the Company have considered and approved a proposal for Amalgamation of Dhara Petrochemicals Private Limited (DPPL) (Hereinafter referred to as the "Transferor Companies") and Axel Polymers Limited (APL), (Hereinafter referred to as the "Transferee Company") pursuant to Scheme of Amalgamation under Section 230-232 of the Companies Act, 2013 (Hereinafter referred to as the "Proposed Transaction").
- In this regard, M/s. MSKA & Associates, Chartered Accountants (hereinafter referred to as "Valuer") was appointed by the Company to carry out the valuation with a view to recommend a swap ratio for exchange of shares.
- The information contained herein and our report is confidential. It is intended only for the sole use of captioned purpose including for the purpose of obtaining requisite approval as per the requirement.



CAPITAL SQUARE ADVISORS PRIVATE LIMITED

Regd. Address : 208, 2nd Floor, AARPEE Centre, MIDC Road No. 11, Andheri (E), Mumbai 400093, India.
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1. SOURCES OF INFORMATION

For the purposes of fairness opinion, we have relied upon the following sources of information:

- Certified Valuation report dated August 20, 2019 issued by M/s. MSKA & Associates (Chartered Accountants).
- Audited Financial Statements of Transferor Companies and Transferee Company for the financial year 2018-19.
- Scheme of Amalgamation under Section 230-232 of the Companies Act, 2013
- Shareholding Pattern of Transferor Companies and Transferee Company.
- Such other information and explanations as we have required and which have been provided by the Company & M/s. MSKA & Associates, Chartered Accountants.

2. BACKGROUND INFORMATION OF TRANSFEROR COMPANIES AND TRANSFEE COMPANY

- Dhara Petrochemicals Private Limited ("the Transferor Company" or "DPPL") is a private limited company, having CIN U23209GJ2009PTC104618, incorporated under the provisions of the Companies Act, 1956 on July 2, 2009, having its registered office at 38, Gautam Nagar Society, Race Course, Vadodara, Gujarat- 390007, India. With effect from October 5, 2018, the registered office of DPPL has been shifted from the State of Maharashtra to the State of Gujarat. DPPL is engaged in the business of dealing in engineering polymers called nylon compounds, polycarbonate compounds, polyphenylene ether compounds, PBT compounds, polypropylene compounds, utility compounds, PPS, M S Resin, ABS resin, thermoplastic polyurethane etc.

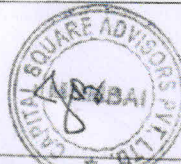
The Details of Capital Structure of DPPL as on 31st March, 2019 is as follows:

Authorized Capital	Amount (INR)
10,00,000 Equity Shares of Rs. 10/- each	1,00,00,000
Issued, Subscribed and Paid-up Capital	Amount (INR)
4,68,000 Equity Shares of Rs. 10/- each	46,80,000

- Axel Polymers Limited ("the Transferee Company" or "APL") is a public limited company having CIN L25200GJ1992PLC017678, incorporated under the provisions of the Companies Act, 1956 on May 21, 1992, having its registered office at 309, Village Mokshi, Sankarda-Savli Road, Taluka Savli, Dist. Vadodara 391780, Gujarat, India. APL is engaged in the business of manufacturing compounds, blends and alloys of engineering, specialty and commodity polymers.

The Details of Capital Structure of APL as on 31st March, 2019 is as follows:

Authorized Capital	Amount (INR)
1,50,00,000 Equity Shares of Rs. 10/- each	15,00,00,000



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Issued, Subscribed and Paid-up Capital	Amount (INR)
43,00,000 Equity Shares of Rs. 10/- each	4,30,00,000

(*Source: Company Management)

3. VALUATION METHODOLOGY ADOPTED BY THE VALUER

For the purposes of valuation, the Valuer has adopted the 3 approaches; which is relevant for Company are as follows:

- "Market Approach"
- "Cost Approach"
- "Income Approach"

4. FINDINGS OF CAPITAL SQUARE ADVISORS PRIVATE LTD ("CASPL")

We have gone through the valuation report dated August 20, 2019 of M/s MSKA & Associates Chartered Accountants (holding FRN No. 105047W), having their office at Floor No 3, Enterprise Centre, Nehru Road, Near Domestic Airport, Ville Parle East, Mumbai -400099 for the purpose of ascertaining the reasonableness of the valuation as done by them. We have taken into consideration the fairness on the various methodologies as considered by M/s MSKA & Associates, Chartered Accountants for the said valuation.

5. COMMENT ON THE VALUATION

Market Approach

Under the Market Approach, the valuation is based on the market value of the company in case of listed companies and comparable companies trading or transaction multiples for unlisted companies. The Market Approach generally reflects the investors' perception about the true worth of the company.

Market Price ("MP") Method

Under this method, the market price of an equity share of the company as quoted on a recognized stock exchange is normally considered as the fair value of the equity shares of that company where such quotations are arising from the shares being regularly and freely traded. The market value generally reflects the investors' perception about the true worth of the company.

Comparable Companies Multiples ("CCM") Method

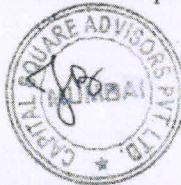
This valuation approach is based on the principle that market valuations, taking place between informed buyers and informed sellers, incorporate all factors relevant to valuation. The value is determined on the basis of multiples derived from valuations of comparable companies, as manifest in the stock market valuations of listed companies. Relevant multiples need to be chosen carefully and adjusted for differences between the circumstances.

Comparable Transactions Multiples ("CTM") Method

The valuation is undertaken on the basis of multiples derived from valuations of similar transactions in the industry in the near history. Relevant multiples have to be chosen carefully and adjusted for differences between the circumstances. This valuation approach is based on the principle that market valuations, taking place between informed buyers and informed sellers, incorporate all factors relevant to valuation.

Cost Approach

The Cost Approach, also known as the Asset-based Approach, involves methods of determining a company's value by analysing the market value of a company's assets.



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Net Asset Value ("NAV") Method

The Net Asset Value ("NAV") method under cost approach, consider the assets and liabilities, including intangible assets and contingent liabilities. The net assets, after reducing the dues to the preference shareholders, if any, represent the value of the company or firm. This valuation approach is used where the business requires reasonable amount of capital expenditure and working capital.

Income Approach

The income approach is widely used for valuation under "Going Concern" basis. It focuses on the income generated by the company in the past as well as its future earning capability. The Discounted Cash Flow (DCF) Method under the income approach seeks to arrive at a valuation based on the strength of future cash flows.

Discounted Cash Flow ("DCF") Method

Under the DCF method, the business is valued by discounting its free cash flows for the explicit forecast period and the perpetuity value thereafter. The Free Cash Flows to Firm ("FCFF") represent the cash available for distribution to the owners as well as lenders of the business and the Free Cash Flows to Equity ("FCFE") represent the cash available for distribution to the owners of the business. The free cash flows to firm are discounted by the Weighted Average Cost of Capital ("WACC") and the free cash flows to equity are discounted by the Cost of Equity ("Ke"). The WACC or Ke, based on an optimal vis-à-vis actual capital structure, is an appropriate rate of discount to calculate the present value of the future cash flows as it considers risk of the firm.

The perpetuity (terminal) value is calculated based on the business's potential for further growth beyond the explicit forecast period. The "Constant Growth Model" is applied, which implies an expected constant level of growth for perpetuity in the cash flows over the last year of the forecast period.

The discounting factor (rate of discounting the future cash flows) reflects not only the time value of money, but also the risk associated with the business's future operations. The Business/Enterprise Value (aggregate of the present value of explicit period and terminal period cash flows) so derived, is further reduced by the value of debt, if any, (net of cash and cash equivalents) to arrive at value to the owners of the business.

As the shares of Axel are not frequently traded on BSE Ltd as per the definition provided in SEBI (SAST) 2011 Regulations, market price approach for valuation has not been considered. Comparable Companies Multiple method has also not considered due to specialized nature of the business of Axel. Similarly Comparable Transactions Multiples method has not been used due to paucity of comparable transactions. Since its value lies in its overall business model rather than its asset base, Cost Approach (NAV) Method has not been used.

In the light of the above, Discounted Cash Flow Method for the valuation of Axel. Discounted Cash Flow Method under the Income Approach has been considered for DPPL since its value lies in the future earning potential.

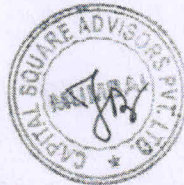
6. RECOMMENDATION OF SHARE EXCHANGE RATIO

The share exchange ratio has been arrived at on the basis of a relative equity valuation of the Companies based on the various approaches/methods explained herein earlier.

As stated in the valuation report, the Valuer has recommended the following share swap ratio:

901 (Nine Hundred and One) equity shares of INR 10/- each fully paid up of Axel to be issued for every 100 (One Hundred) equity shares of INR 10/- each fully paid up of DPPL.

Based on the information including Valuation Report and the propose Scheme of Amalgamation we are of the opinion that, the Share Exchange Ratio as recommended by M/s MSKA & Associates, Chartered Accountants is fair and reasonable.



CAPITAL SQUARE ADVISORS PRIVATE LIMITED

7. EXCLUSIONS AND LIMITATIONS

For the purpose of our opinion we have relied upon the information provided to us and have not carried out any audit *and due* diligence of any independent verification of such information.

8. DISCLAIMER CLAUSE

Our scope of work did not include the following:-

Carrying out a market survey / financial feasibility for the Business of Transferor Companies and Transferee Company Financial and Legal due diligence of Transferor Companies and Transferee Company

We hereby declare that we have no direct or indirect interest in the Company / assets valued. Our work did not constitute an audit in accordance with Generally Accepted Auditing Standards, an examination of internal controls or other attestation or review services. Accordingly, we do not express an opinion on the information presented.

It may be noted that this Fairness Opinion is expressed solely with reference to requirements under Regulation 37 of LODR and the purpose and scope of this assignment is restricted to opine about fairness of valuation already done by the valuer.

The management of DPPL and APL or their related parties are prohibited from using this opinion other than for its sole limited purpose and not to make a copy of this opinion available to any party other than those required by statute for carrying out the limited purpose of this opinion. This opinion is not meant for meeting any other regulatory or disclosure requirements, save and except as specified in this opinion, under any Indian or Foreign Law, Statute, Act, Guidelines or similar instructions. We would not be responsible for any litigation or other actual or threatened claims.

We have been engaged by the respective companies to issue a Fairness Opinion and will receive a fixed fee for rendering this Fairness Opinion, which is independent of the happening or otherwise of the proposed activities.

The Fairness Opinion Report is only a free and fair opinion and does not constitute a commitment by CASPL to underwrite, subscribe for or place of securities or to extend or arrange credit or to provide any other services.

Thanking you,

For, Capital Square Advisors Private Limited

Authorized Signatory
Place: MUMBAI



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