Annexure A-4

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N S KUMAR & CO.
Chartered Accountants

For DIL Limited
Srikant N. Sharma
Company Secretary

For FERMENTA BIOTECH LIMITED
Varadvinayak Khambete
Company Secretary

(48)

Date: 21 June 2018

To,

The Board of Directors,
DIL Limited,
A-1601, Thane One,
DIL Complex, Thane (West),
Mumbai - 400610

The Board of Directors,
Fermenta Biotech Limited,
A-1501, Thane One,
DIL Complex, Thane (West),
Mumbai - 400610

Subject: Recommendation of fair share exchange ratio for the proposed amalgamation of Fermenta Biotech Limited ('FBL') with DIL Limited ('DIL').

Dear Sir/ Madam,

We refer to the engagement letter, wherein the Management of DIL Limited ('DIL') and Fermenta Biotech Limited ('FBL') appointed N S KUMAR & CO. ('NSK') to recommend share exchange ratio for the proposed amalgamation of FBL with DIL. FBL and DIL together hereinafter referred as the 'Companies'.

Please find enclosed the report (comprising 13 pages) detailing our recommendation of share exchange ratio for the proposed amalgamation and the assumptions used in our analysis.

This report sets out our scope of work, background, procedures performed by us, source of information and our opinion on the share exchange ratio.

SCOPE AND PURPOSE OF THIS REPORT

DIL Limited ('DIL') is a public company incorporated under the provisions of the Companies Act, 1913. DIL owns a few immovable properties and earns rental income from it; DIL has also made investments in some companies.

Fermenta Biotech Limited ('FBL') is engaged in manufacturing and marketing of chemicals, bulk drugs, enzymes and pharmaceutical formulations.

The Management of DIL and FBL (together referred to as the 'Management') are contemplating the amalgamation of FBL (referred to as 'transferor company') with DIL ('transferee company') ('Transaction') through a Scheme of Amalgamation and Arrangement pursuant to the provisions of Section 230 to 232 and other applicable provisions of the Companies Act, 2013 ('Scheme') and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. As per the scheme of amalgamation and arrangement, under the proposed transaction, the equity shareholders of FBL will receive equity shares of DIL.

In connection with the proposed amalgamation, the Management has appointed N S KUMAR & CO. ('NSK') to submit a report recommending a fair share exchange ratio for issue of equity shares of DIL to the shareholders of FBL for the proposed transaction to be placed before the

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respective Board of Directors. Further, we understand that DIL would be submitting the report to BSE, SEBI and other Indian regulatory authorities, as required for the Transaction. The proposed appointed date for the amalgamation is 1 April 2018, hence the Management has requested NSK to determine the exchange ratio as at 1 April 2018 ('Valuation Date').

The scope of our service is to conduct a relative valuation exercise as at the Valuation Date to determine the value of the companies using internationally accepted valuation methodologies as may be applicable to the subject companies being valued and arrive at a share exchange ratio and report on the same in accordance with generally accepted professional standards.

This report is our deliverable for the said engagement and is subject to the scope, assumptions, exclusions, limitations and disclaimers detailed hereinafter. As such, the report is to be read in totality and in conjunction with the relevant documents referred to therein.

SOURCES OF INFORMATION

In connection with preparation of this report, we have used and relied on the following sources of information:

A. Company specific information

Information provided by the Management which includes:

1. Audited financials of DIL and FBL for the year ended 31 March 2018 ('FY18') and 31 March 2017 ('FY17');
2. Projected financial statements of FBL from FY19 to FY23 ('Projections') which represents Management's best estimate of the projected performance of FBL;
3. Unaudited provisional financial statements for FY18 of Aegean Properties Limited;
4. Audited financial statements for FY17 of subsidiaries, associates and joint venture companies of both FBL and DIL;
5. Valuation reports for the immovable properties held by DIL and its subsidiaries issued by TrueVal Advisors dated 05 May 2018 and Harshad Ruparel dated 18 February 2018;
6. Shareholding pattern of DIL and FBL as at 31 March 2018;
7. Market prices and trading history of DIL;
8. Copy of the draft scheme of amalgamation and arrangement;
9. Discussions and correspondence with the Management in connection with business operations, past trends, proposed future business plans and prospects etc.;

B. Industry and economy information:

- Information available in public domain and databases such as Moneycontrol, Capitaline, Bombay Stock Exchange ('BSE'), National Stock Exchange, Investing.com, Thomson Reuters, etc.; and

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- Such other information and documents as provided by the Management of DIL and FBL for the purposes of this engagement.

Besides the above listing, there may be other information provided by the Management which may not have been perused by us in detail, if not considered relevant for our defined scope.

We have also considered/ obtained such other analysis, review, explanations and information considered reasonably necessary for our exercise, from the Management of DIL and FBL. The Management of DIL and FBL have been provided with the opportunity to review the draft report (without value recommendations) as part of our standard practice to make sure that factual inaccuracy/ omissions are avoided in our final report.

PROCEDURE ADOPTED

Procedures used in our analysis included such substantive steps as we considered necessary under the circumstances, including, but not necessarily limited to the following:

- Discussion with the Management to:
  - Understand the business and fundamental factors that affects its earning generating capability including strength, weakness, opportunity and threat analysis and historical financial performance.
  - Enquire about business plans and future performance estimates.
- Analysis of information shared by the Management.
- Reviewed the draft scheme of amalgamation and arrangement.
- Reviewed the audited financial statements of DIL and FBL for FY18 and FY17.
- Selection of appropriate internationally accepted valuation methodology/ (ies) after deliberations.
- Estimated the fair value of assets held by DIL including the value of its holding in FBL.
- Identification of suitable comparable companies.
- Arrived at valuations of the Companies using the method considered appropriate.
- Arrived at share exchange ratio for the proposed amalgamation.

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SCOPE LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS AND DISCLAIMERS

Provision of valuation opinions and consideration of the issues described herein are areas of our regular practice. The services do not represent accounting, assurance, accounting/ tax due diligence, consulting or tax related services that may otherwise be provided by us.

This report, its contents and the results herein are specific and subject to:

i. the purpose of valuation agreed as per the terms of this engagement;

ii. the date of this report;

iii. shareholding pattern of DIL and FBL including shares of FBL held by DIL;

iv. approval by the shareholders of the proposed split and bonus issue recommended by the Board of DIL for the post-split and bonus share exchange ratio;

v. realization of cash flow projections as provided by the Management in case of FBL;

vi. fair value estimate of immovable properties valued by the technical valuers'; and

vii. data detailed in the section – sources of information.

A value analysis of this nature is necessarily based on the prevailing stock market, financial, economic and other conditions in general and industry trends in particular. It is based on information made available to us as of the date of this report, events occurring after that date hereof may affect this report and the assumptions used in preparing it, and we do not assume any obligation to update, revise or reaffirm this report.

The recommendation(s) rendered in this report only represent our recommendation(s) based upon information furnished by the Companies till the date of this report and other sources, and the said recommendation(s) shall be considered to be in the nature of non-binding advice (our recommendation should not be used for advising anybody to take buy or sell decision, for which specific opinion needs to be taken from expert advisors).

In the course of our analysis, we were provided with both written and verbal information, including market, technical, financial and operating data including information as detailed in the section – sources of information by the Management of DIL and FBL.

In accordance with the terms of our engagement, we have assumed and relied upon, without independent verification of,

i. the accuracy of information made available to us by the Management, which formed a substantial basis for the report; and

ii. the accuracy of information that was publicly available;

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We have not carried out a due diligence or audit or review 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 advisors, 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 Management. The Management of the Companies have indicated to us that they have understood any omissions, inaccuracies or misstatements may materially affect our recommendation. Accordingly, we assume no responsibility for any errors in the information furnished by the Companies and their impact on the 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 misstated/ incorrect or would not afford reasonable grounds upon which to base the 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 report assumes that the Companies comply fully with relevant laws and regulations applicable in all its areas of operations and that the Companies will be managed in a competent and responsible manner. Further, except as specifically stated to the contrary, this report has given no consideration on 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 the audited financial statements of the Companies.

This report does not look into the business/ commercial reasons behind the transaction nor the likely benefits arising out of the same. Similarly, the 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. This report is restricted to calculation of share exchange ratio only.

We must emphasize that since DIL is a company that primarily holds assets including immovable properties and investment in shares of various companies including FBL, we have fair valued such assets for the purpose of our analysis. For fair valuation of immovable properties, we have entirely relied on the valuation report issued by the technical valuers TrueVal Advisors and Harshad Ruparel. We have limited our analysis to validating the assumptions used based on publicly available market information and ratio analysis. There

N S Kumar & Co. Chartered Accountants PUNE are certain immovable properties held in trust by the Directors on behalf of DIL, we have considered the fair value of such immovable properties for our analysis.

Further, FBL has issued certain shares to the FBL ESOP Trust for which the consideration is yet to be received by FBL. We have considered these shares as outstanding for the purpose of our analysis.

We must emphasize that realization of free cash flow forecast used in the analysis will be dependent on the continuing validity of assumptions on which they are based. Our analysis therefore, will not, and cannot be directed to providing any assurance about the achievability of the final projections. Since the financial forecasts relate to the future, actual results are likely to be different from the projected results because events and circumstances do not occur as expected, and the differences could be material. To the extent that our conclusions are based on the forecasts, we express no opinion on achievability of those forecasts. The fact that we have considered the projections in this valuation exercise should not be construed or taken as our being associated with or a party to such projections.

The fee for the Engagement is not contingent upon the results reported.

We owe responsibility only to the Board of Directors of DIL and FBL, who have appointed us, and nobody else.

We do not accept any liability to any third party in relation to the issue of this report. It is understood that this analysis does not represent a fairness opinion. In no circumstance, shall the liability of NSK exceed the amount as agreed in our Engagement Letter.

This valuation report is subject to the laws of India.

Neither the report nor its contents may be referred to or quoted in any registration statement, prospectus, offering memorandum, annual report, loan agreement or other agreement or document given to third parties, other than in connection with the purpose of determining the share exchange ratio for the proposed amalgamation, without our prior written consent.

COMPANY BACKGROUND

DIL Limited ('DIL')

DIL is a public company incorporated under the provisions of the Companies Act, 1913. Its shares are listed on BSE. DIL is primarily engaged in the business of renting of immovable properties and it also holds certain strategic investment in companies operating in different businesses. DIL holds a 91.2% stake in FBL.

DIL had reported a standalone revenue of INR 12.5 crore and a loss of INR 24.1 crore during FY18.

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The issue and subscribed capital of DIL as at 31 March 2018 consists of 22,93,198 equity shares of INR 10 each fully paid up.

The equity shareholding pattern of DIL Limited (prior to implementation of proposed split and bonus issue) as per the latest available filing with BSE is as under:

Shareholders	Number of Shares	% of Shareholding
Promoters	14,35,320	62.6%
Non Promoters	8,57,878	37.4%
Total	**22,93,198**	**100.0%**

* Source: BSE Limited

Fermenta Biotech Limited ('FBL')

FBL is a subsidiary of DIL and is primarily engaged in the manufacturing of cholecalciferol (vitamin D3) which has various applications across pharmaceutical, food, veterinary and feed industries. Cholecalciferol formulations are used in human food supplements and vitamin D3 resin and feed grade are used in animal feed supplements.

It also manufactures niche API's, penicillin G amidase, polymer supports and enzyme technologies for beta lactams and bio-enzymes.

FBL has its R&D facility at Thane and manufacturing facilities in Kullu, Himachal Pradesh and Dahej SEZ, Gujarat.

FBL reported a revenue of INR 300.4 crore and profit after tax of INR 72.1 crore for the year ended 31 March 2018.

The issued and subscribed capital of FBL as at 31 March 2018 consists of 18,192,844 equity shares of INR 10 each fully paid up (except 488,334 equity shares issued to FBL ESOP Trust for which the entire paid up amount is outstanding).

The equity shares of FBL are not listed on any stock exchange and its shareholding pattern as at the report date is set out below:

Shareholders	Number of Shares	% of Shareholding
DIL Limited	16,592,536	91.2%
DVK Investment Pvt. Ltd.,	87,024	0.5%
Others	1,513,284*	8.3%
Total	**18,192,844**	**100.0%**

*Includes 488,334 equity shares issued to FBL ESOP Trust

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VALUATION APPROACH AND METHODOLOGY OF SHARE EXCHANGE RATIO

It should be understood that the valuation of any company or its assets is inherently subjective and is subject to certain uncertainties and contingencies, all of which are difficult to predict and are beyond our control. In performing our analysis, we made numerous assumptions with respect to the industry performance and general business and economic conditions, many of which are beyond the control of the companies.

Arriving at the fair share exchange ratio for the proposed amalgamation of FBL with DIL would require determining the fair value of equity shares of DIL in terms of the fair value of equity shares of FBL as at the Valuation Date. These values are to be determined independently but on a relative basis, and without considering the effect of the proposed amalgamation.

The application of any particular method of valuation depends on the purpose for which the valuation is done. Although, different values may exist for different purpose, it cannot be too strongly emphasized that a valuer can only arrive at one value for one purpose. Our choice of methodology of valuation has been arrived at using usual and conventional methodologies adopted for transactions of similar nature and our reasonable judgment, in an independent and bona fide manner based on our previous experience of assignments of a similar nature.

The following are commonly used and accepted methods for determining the value of the equity shares of a company/ business:

1. Asset Approach – Net Asset Value method
2. Market Approach:
   a) Market Price method
   b) Comparable Companies Market Multiple method
3. Income Approach – Discounted Cash Flow method

For the proposed amalgamation, we have considered the following commonly used and accepted methods for determining the fair share exchange ratio, to the extent relevant and applicable:

1. Asset Approach – Net Asset Value method ('NAV')

The asset based value analysis technique is based on the value of the underlying net assets of the business, either on a book value basis or realizable value basis or replacement cost basis. This value analysis approach is mainly used in case where the firm is to be liquidated i.e. it does not meet the "going concern" criteria or in case where the asset base dominate earnings capability. It is also used where the main strength of the business is its asset backing rather than its capacity or potential to earn profits.

We have used the NAV method to value DIL as the major assets held by them include immovable properties and investment in equity shares of listed and unlisted companies

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including FBL. Given that the company derives its major value from the assets held by it including the value of its investment in FBL, we have used NAV method to value DIL.

For valuing investment in companies and immovable properties we have replaced the book values of investments and immovable properties by its estimated fair value and for valuing the other assets and liabilities we have considered the book value as at 31 March 2018 to be representative of its fair value.

Given that FBL is a profitable company and is expected to continue to earn profits in the near future and would therefore be considered as a 'going concern', we have not used the NAV method to value FBL.

2. Market Approach

a) **Market Price method**:

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 shares 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.

Since, DIL is a listed company, it is governed by the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 as amended from time to time ('ICDR Regulations'). Under the ICDR Regulations, issuance of shares pursuant to order under Sections 230 to 232 of Companies Act, 2013, is required to follow pricing conditions that apply to the preferential issue, if such issue is to be made to shareholders of an unlisted company. These guidelines prescribe the minimum price at which the shares are to be issued and we have given due consideration to this requirement.

After analyzing the market movement of the share prices and the levels of volumes traded we concluded to assign NIL weight to the market price method in case of DIL for the following reasons:

a) Shares of DIL are thinly traded with the average daily traded volumes over the last twenty-six weeks being less than 3,600 equity shares.
b) Secondly, shares of DIL have recently been placed under the Additional Surveillance Measures framework by BSE which has resulted in the share price of DIL fluctuating significantly with the share price hitting circuit filters on a regular basis.

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Given the above reasons we believe that the current market price of DIL equity shares do not adequately reflect its fair value and have therefore not considered the market price method for the purpose of our analysis.

FBL is an unlisted company and we have therefore not used the market price method to value FBL.

b) **Comparable Companies Multiple ('CCM') / Comparable Transaction Multiple ('CTM')**

Under CCM, the value of shares/ business of a company is determined based on market multiples of publicly traded comparable companies. This valuation is based on the principle that market valuations, taking place between informed buyers and informed sellers, incorporate all factors relevant to valuation. CCM applies multiples derived from similar or 'comparable' publicly traded companies to a company's operating metrics. The appropriate multiple is generally based on the performance of listed companies with similar business models and size.

Under CTM, the value of shares/ business of a company is determined based on market multiples of publicly disclosed transactions in the similar space as that of the subject company. Multiples are generally based on data from recent transactions in a comparable sector, but with appropriate adjustment after consideration has been given to the specific characteristics of the business being valued.

We have not used CCM/ CTM for valuing the equity shares of either Companies, as there are no comparable listed companies operating in similar line of business and having similar business model in India.

3. Income Approach – Discounted Cash Flow Method

DCF method values a business based upon the available cash flow a prudent investor would expect the subject business to generate over a given period of time. This method is used to determine the present value of a business on a going concern assumption and recognizes the time value of money by discounting the free cash flows for the explicit forecast period and the perpetuity value at an appropriate discount factor. Free cash flows are the cash flows expected to be generated by the company that are available to equity shareholders of the company. The terminal value represents the total value of the available cash flow for all periods subsequent to the forecast period. The terminal value of the business at the end of the forecast period is estimated and discounted to its equivalent present value and added to the present value of the explicit forecast period cash flow to estimate the value of the business.

The projected free cash flows to equity shareholders over the explicit forecast period and terminal value are discounted using the Cost of equity ('COE'). The sum of the discounted

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value of such free cash flows to equity is the value of the business attributable to equity shareholders.

Using the DCF analysis involves determining the following:

Estimating future cash flows:

Free cash flows are the cash flows expected to be generated by the company that are available to equity shareholders of the company.

Appropriate discount rate to be applied to cash flows i.e. the cost of equity

This discount rate, which is applied to the free cash flows, should reflect the opportunity cost to equity shareholders. The opportunity cost of equity capital providers equals the rate of return the capital provider expects to earn on other investments of equivalent risk.

To arrive at the total value attributable to the equity shareholders of the business, value arrived through DCF method for the company is adjusted for the value of loans, excess cash, inflow on exercise of options, non-operating assets/ liabilities (e.g. fair value of investments, any contingent liabilities, etc.). The total value for equity shareholders is then divided by the total number of equity shares (on fully diluted basis) to arrive at the value per share of the business.

For the purpose of DCF value analysis, the free cash flows are based on projections and other information that are provided by the management of the company.

In case of FBL, we have used the financial projections as provided by the Management of FBL for the five-year period from FY19 to FY23 for the valuation of FBL under DCF method. We did not carry out any validation procedures or due diligence with respect to the information provided/ extracted or carry out any verification of the assets or comment on the achievability of the assumptions underlying the financial projections, save for satisfying ourselves to the extent possible that they are consistent with other information provided to us during the course of this engagement.

In case of DIL, given that it is an asset heavy company, we have not used the income approach to value it.

MAJOR FACTORS THAT WERE CONSIDERED DURING VALUATION

- The trends in the Vitamin D3 feed prices including the recent spurt in prices and the estimated long term price of the same going forward
- Improvement in margins of FBL on account of the various cost optimization programs being undertaken by the Management of FBL.
- In case of DIL, volatility in its share prices and lack of adequate trades on BSE

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RECOMMENDATION OF THE RATIO OF SHARE EXCHANGE FOR THE PROPOSED AMALGAMATION

The fair exchange ratio has been arrived at on the basis of a relative equity valuation of the Companies for the proposed amalgamation based on the various methodologies mentioned herein earlier. Suitable rounding off have been carried out wherever necessary to arrive at the fair value/ exchange ratio.

In light of the above and on a consideration of all the relevant factors and circumstances as discussed and outlined herein above we recommend the share exchange ratio as follows:

100 equity shares of **DIL** of INR 10 each fully paid up for every **1,006** equity shares of **FBL** of INR 10 each fully paid up.

SHARE EXCHANGE RATIO IN CASE THE RECOMMENDED SPLIT AND BONUS ISSUE APPROVED

Further, we were informed that the Board of Directors of DIL have in its board meeting held on 18 June 2018, subject to the approval of the shareholders, recommended a split/ sub division of equity shares of DIL from a face value of INR 10 each to face value of INR 5 each. The Board has also recommended, subject to shareholder approval issue of bonus shares in the proportion of 1:1 i.e. 1 (one) fully paid equity shares of INR 5 each for every 1 (one) existing fully paid up equity shares of INR 5 each held by the members.

Should both the above proposals be approved by the shareholders prior to the approval of the scheme the recommended share exchange ratio would stand revised as under:

100 equity shares of **DIL** of INR 5 each fully paid up for every **251** equity shares of **FBL** of INR 10 each fully paid up.

Respectfully Submitted

N S KUMAR & CO.
Chartered Accountants
ICAI Firm Registration No. 139792W

N. S. KUMAR & CO. PUNE M.No. 121635 Firm Reg. No. 139792W CHARTERED ACCOUNTANTS

Niranjan S Kumar
Proprietor
Membership No. 121635

Date: 21 June 2018
Place: Mumbai

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Annexure 1:

Computation of share exchange ratio is given below:

Valuation Approach	DIL per share value (A)		FBL per share value (B)	
	Value Per Share (INR)	Weight	Value Per Share (INR)	Weight
Asset Approach	5,668.5	100%	94.9	0.0%
Income Approach	NA	NA	563.2	100%
Market Approach - Market Price method	3,289.3	0.0%	NA	NA
Market Approach - Comparable Companies Multiple method	NA	NA	NA	NA
Relative Value per Share	**5,668.5**		**563.2**	
Exchange Ratio Round Off (A/ B)			**10.06**	

NA - Not Adopted/ Not Applicable

Post-split and Bonus Scenario

Valuation Approach	DIL per share value (A)		FBL per share value (B)	
	Value Per Share (INR)*	Weight	Value Per Share (INR)	Weight
Asset Approach	1,417.1	100%	94.9	0.0%
Income Approach	NA	NA	563.2	100%
Market Approach - Market Price method	822.3	0.0%	NA	NA
Market Approach - Comparable Companies Multiple method	NA	NA	NA	NA
Relative Value per Share	**1,417.1**		**563.2**	
Exchange Ratio Round Off (A/ B)			**2.51**	

NA - Not Adopted/ Not Applicable

* Price considered above adjusted for both split followed by bonus issue

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