



Fairness Opinion

Composite Scheme of Arrangement

between

Ganesh Benzoplast Limited

and

GBL Chemical Limited and GBL LPG Private Limited

And

Their Respective Shareholders

Prepared by:  
ARIHANT Capital Markets Limited  
Merchant Banking Division  
Mumbai

February 7, 2019

The information contained herein is of a confidential nature and is intended for the exclusive use of the persons for whom it was prepared.

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For Ganesh Benzoplast Ltd

*Edhanda*

Company Secretary

## INDEX

Sr. No.	Particulars	Page No.
1	Background	2
2	Overview & Rationale	2
3	Reference & Context	3
4	Proposed Transaction	4
5	Engagement Context	7
6	Basis of forming Opinion	7
7	Valuation Approaches and their Review	9
8	Opinion	10



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For Ganesh Benzoplast Ltd

*Redhanda*  
Company Secretary

## 1. Background

Ganesh Benzoplast Limited is a listed public entity incorporated under the Companies Act, 1956 having its registered office at Dina Building, 1st Floor, M.K.Road, Marine Lines (East) Mumbai 400 002 ("GBL" or "Transferor Company" or "Demerged Company"). The equity shares of GBL are listed on BSE Limited. GBL is in the business of providing conditioned storage facilities for both bulk liquids and chemicals through its Liquid Storage Terminals (LST) at Goa, Cochin and JNPT ports in India and in the business of manufacture, export and import of premium range of specialty chemicals, food preservatives and industrial lubricants.

- a) GBL Chemical Limited is a public limited company incorporated under the Companies Act, 2013 and having its registered office at 912A, 1st Floor, Solitaire Corporate Park Andheri-Ghatkopar Link Road, Andheri (E) Mumbai 400 093 ("Resulting Company" or "GBL Chemical"). GBL Chemical is incorporated on October 23, 2018 to carry on the business of manufacturing and trading in specialty chemicals.
  
- b) GBL LPG Private Limited is a private limited company incorporated under the Companies Act, 2013 and having its registered office at 912A, 1st Floor, Solitaire Corporate Park, Andheri Ghatkopar link road Andheri East, Mumbai 400 093 ("Transferee Company" or "GBL LPG"). GBL LPG is incorporated on November 28, 2018 to carry on the business of LPG and liquid storage terminal facility.

## 2. Overview & Rationale

Management of the GBL, GBL LPG and GBL Chemical are proposing to undertake a composite scheme of arrangement ("Scheme") under Section 230 to 232 and other applicable provisions of the Companies Act, 2013. The Scheme being adopted shall provide for the following:

- i. **Demerger of the Chemical Business Undertaking of Ganesh Benzoplast Limited to GBL Chemical Limited**

GBL operates in two divisions namely, Liquid Storage Terminal and Chemical manufacturing division. GBL is proposing to demerge the Chemical Business Undertaking into a separate Company, as Chemical division has totally different synergies & to ensure greater focus to the operation of the Chemical divisions & to enhance profitability & generate maximum shareholder value, it will be more beneficial for GBL to segregate the Chemical division into a separate company.

The demerger will interalia have the following benefits to the companies and shareholders:

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For Ganesh Benzoplast Ltd

*Bhandal*  
Company Secretary



- i. More focused management and greater visibility on the performance of Chemical businesses;
- ii. Achieving operational and management efficiency by the way of segregation of businesses;
- iii. Attribution of appropriate risk and valuation to different businesses based on their respective risk return profile and cash flows.

**ii. Slump sale of Goa Business Undertaking of Ganesh Benzoplast Limited to GBL LPG Private Limited.**

GBL is in the process of setting up a Liquefied Petroleum Gas ("LPG") Terminal at its Goa facility. GBL has obtained licenses and requisite approvals to carry on the LPG business. With an intent to have specialized focus on the liquid storage business at Goa and LPG Business and to meet the financial requirement of Goa Business Undertaking, the Management has proposed to transfer the Goa Business Undertaking to GBL LPG, which is a wholly owned subsidiary of GBL.

Goa Business Undertaking shall mean the liquid storage terminal business at Goa including LPG business of Transferor Company.

Towards the above mentioned purposes, the Board of Directors of GBL have provided us with a draft copy of the proposed composite scheme of Arrangement GBL, GBL Chemical and GBL LPG which is scheduled to be considered and approved at GBL's forthcoming Board meeting ("Scheme"). The proposed Scheme will also be placed at the meeting of the Board of Directors of GBL LPG and GBL Chemical.

**3. Reference & Context**

As the equity shares of GBL are listed on BSE Limited, it is bound by the listing agreement and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time.

We, Arihant Capital Markets Ltd., have been appointed to issue a fairness opinion pursuant to the Scheme of Arrangement in terms of sub Para 2(d) of Para I(A) of Annexure I of the SEBI Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017 read with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 on valuation done by independent Valuer for GBL, GBL LPG and GBL Chemical.

We are a SEBI registered merchant banker and are not associated with GBL, GBL LPG and GBL Chemical as merchant banker / consultant save for this fairness opinion; and we are not their associate.

We have applied ourselves towards formation and expression of the opinion on the valuation of equity shares done by the Valuer M/s. TPG & Co., having their office at A-303, Prafulla

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For Ganesh Benzoplast Ltd

*Rohanda*  
Company Secretary



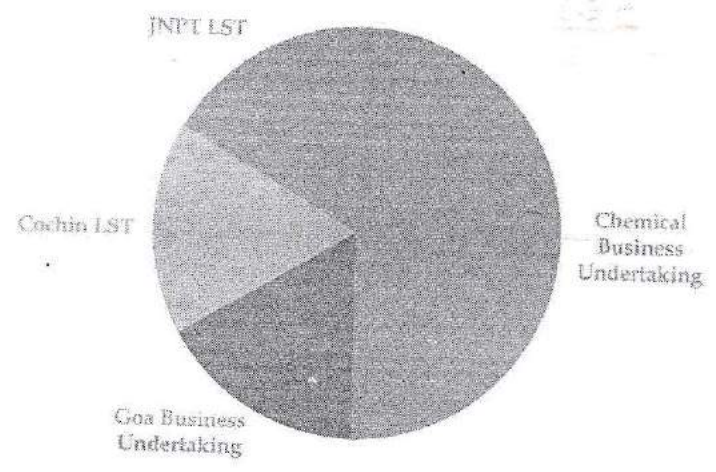
Paradise, Behind Gagangiri Enclave, Khadakpada, Kalyan (West) 421 301 ("Valuer") in relation to this proposed Scheme.

This Fairness Opinion is issued pursuant to our appointment as Merchant Bankers by GBL for issuing the Fairness Opinion.

**4. Proposed Transaction**

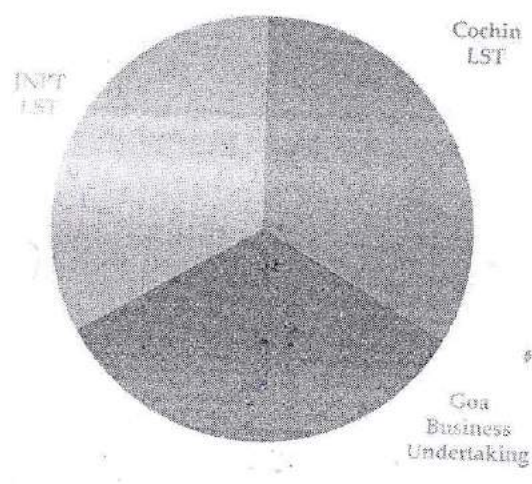
**PRE SCHEME STRUCTURE**

**GANESH BENZOPLAST LIMITED**

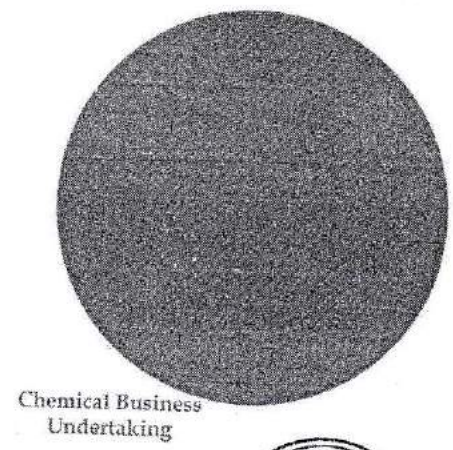


**Step 1: Demerger of Chemical Business Undertaking**

**POST DEMERGER - GBL**



**POST DEMERGER - GBL CHEMICAL**



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For Ganesh Benzoplast Ltd

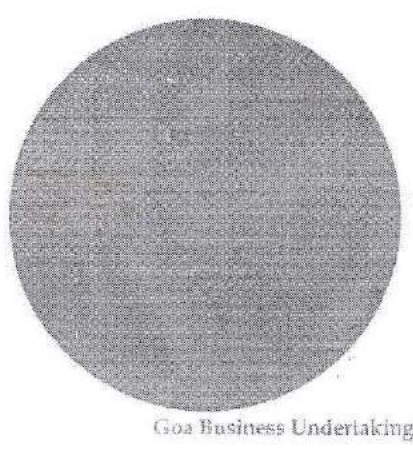
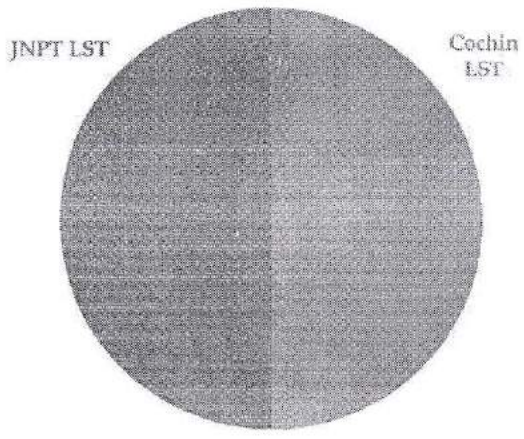
*Adhanda*  
Company Secretary



**Step 2 : Slump Sale of Goa Business Undertaking**

POST SLUMP SALE - GBL

POST SLUMP SALE - GBL  
LPG



*Note: Diagram for representation purposes only. Images not to any scale*

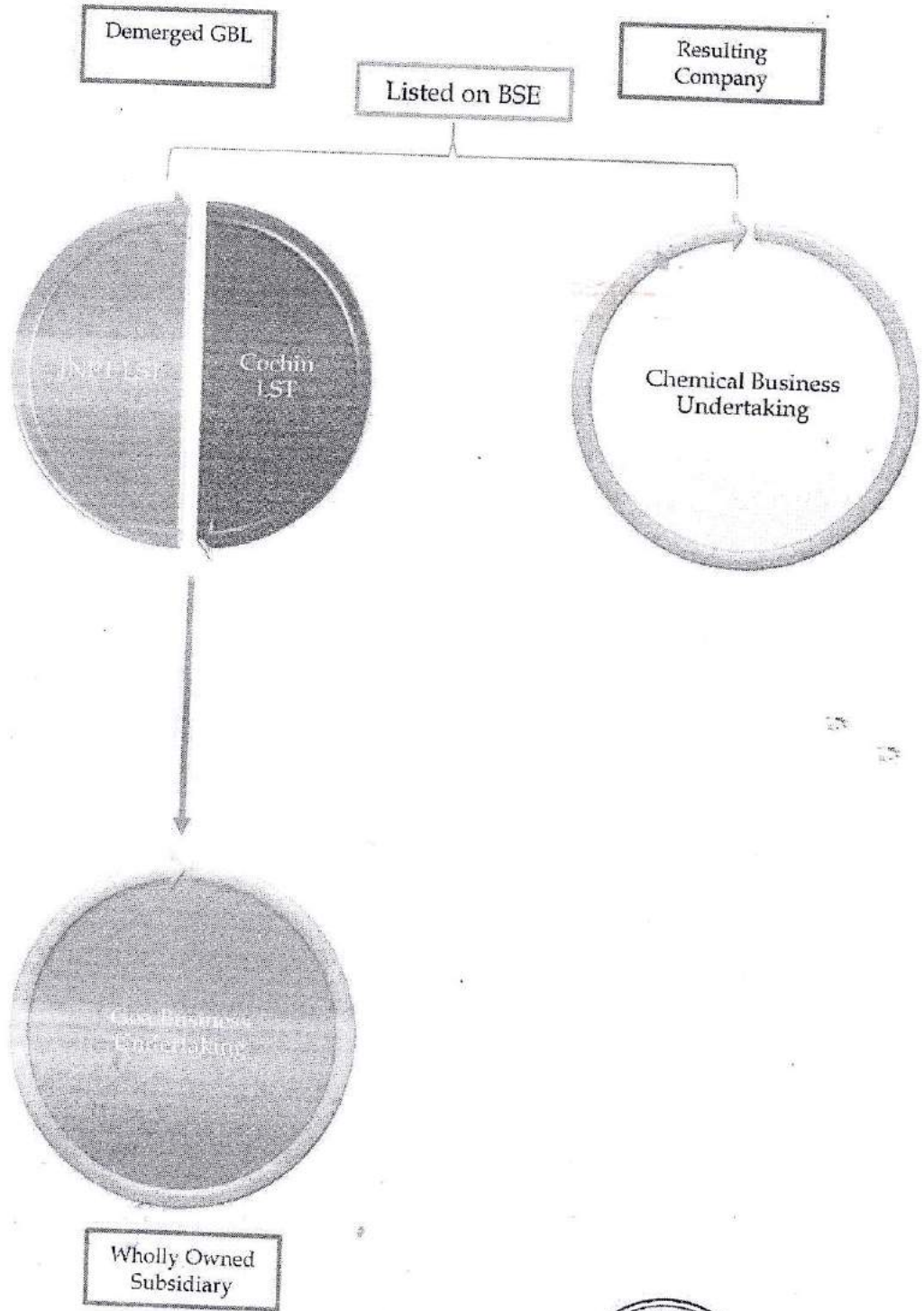


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**For Ganesh Benroplast Ltd**

*R. Handa*  
**Company Secretary**

POST SCHEME STRUCTURE



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For Ganesh Benzoniast Ltd

*Rathanda*  
Company Secretary



## 5. Engagement Context

The management of GBL has requested ARIHANT Capital Markets Limited ("ARIHANT" or "We / Us / Our") to express an opinion about fairness of the valuation done by the Valuer from a financial point of view in accordance with sub Para 2(d) of Para I(A) of Annexure I of the SEBI Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017 read with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 to the Shareholders of GBL (the "Fairness Opinion").

This Fairness Opinion is expressed solely with reference to requirements under aforementioned purpose; and scope of this assignment is restricted to opine about fairness of valuation already done by the Valuer in relation to the proposed Scheme.

This opinion does not in any way constitute a recommendation by ARIHANT to any Shareholder as to whether such shareholder should approve or reject the proposed transaction, in cases where voting by public shareholders is warranted. We urge you to read this Fairness Opinion carefully and entirely.

We have been engaged by GBL 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 transaction.

This Fairness Opinion may be reproduced in the explanatory statement sent to the shareholders of GBL along with the notice of general meeting / postal ballot form, conducted to get approval for the proposed transaction, so long as the form of reproduction of the Fairness Opinion in such report and any description of or reference in such report to ARIHANT, is in a form acceptable to us.

## 6. Basis of forming Opinion

### 5.1 Documents and Information Considered

For the purpose of providing our opinion, we have reviewed:

1. Certain publicly available business and financial information relating to GBL, including the Annual Report for the financial year ending March 31, 2018 and limited reviewed financials for the 6 months' period ended September 30, 2018.
2. Statements of Assets and Liabilities of Chemical Business Undertaking and Goa Business Undertaking as on September 30, 2018
3. Certified draft of the proposed composite scheme of arrangement to be approved by the Boards of Directors of the respective companies.

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For Ganesh Benzoplast Ltd

*R. Bhandari*

Company Secretary





4. Copy of undertakings / Management Representations issued by GBL to the Valuer in relation to valuation of respective companies.
5. Pre Scheme and Post Scheme Shareholding pattern of GBL.
6. Pre Scheme and Post Scheme Shareholding pattern of GBL LPG and GBL Chemical.
7. Copy of the valuation report of the Valuer M/s. TPG & Co., Chartered Accountants, dated February 06, 2019 recommending Fair Share Exchange ratio for the proposed Scheme.
8. Performed such other reviews and analyses as ARIHANT, in its absolute discretion, deemed appropriate.

#### 5.2 Assumptions and Limiting Conditions

ARIHANT has been engaged to provide standard services for the issuance of the Fairness Opinion and therefore have not performed any due diligence or audit of the information provided to us, nor have we made any independent valuation or appraisal of the assets or liabilities. GBL has provided us with the copy of valuation report done by the Valuer and have asked us to peruse and opine on the said report. GBL has also confirmed that as the issuance of Fairness Opinion is in relation to proposed Scheme, the report may also be reproduced / quoted by us.

ARIHANT has assumed and relied upon the truth, accuracy and completeness of the information, data and financial terms provided to us by GBL or their authorized representatives or used by us, and has assumed that the same are factually correct and does not assume or accept any liability or responsibility for any independent verification or checking of such information or any independent valuation or appraisal of any of the assets, operations or liabilities of GBL, GBL LPG and GBL Chemical.

In preparing this opinion, ARIHANT has received specific confirmation from management of GBL that all the information the Company has provided to ARIHANT in relation to the engagement of ARIHANT is correct and complete and no information has been withheld that could have influenced the purport of this Fairness Opinion.

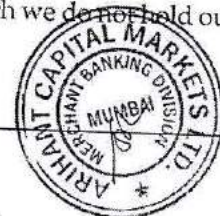
This opinion exclusively focuses on the fairness, from a valuation point of view, of the shares / assets done by the Valuer and does not address any other issues such as the underlying business decision to recommend the transaction or its commercial merits, which are matters solely for the Boards of Directors of GBL to address and further to be confirmed by the shareholders of both the companies, as may be required.

ARIHANT's formation of fairness opinion is based on information supplied by GBL, representations and confirmations of its management on various issues and we have relied upon them as such without any independent verification and as such we do not hold ourselves

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For Ganesh Benzoplast Ltd

*Rdhande*  
Company Secretary



liable if our opinion becomes flawed as a result of any shortcomings in such information, representations and confirmations given by GBL.

In rendering this opinion, ARIHANT has not provided legal, regulatory, tax, accounting or actuarial advice and accordingly ARIHANT does not assume any responsibility or liability in respect thereof. Furthermore, ARIHANT has assumed that the proposed transaction will be consummated on the terms and conditions as set out in the proposed Scheme, without any material changes to, or waiver of, its terms or conditions.

## 7. Valuation Approaches and their Review

### 6.1. Overview

The formation of a fairness opinion is generally a complex process involving careful consideration and review of valuation methods, associated financial and other analyses, performed by the Valuer. ARIHANT has made a qualitative assessment of the appropriateness of the method and subsequent application.

### 6.2 Share entitlement / Share allotment Ratio

ARIHANT has reviewed the method of valuation adopted by the Valuer. The Scheme is envisaged under distinct steps by the Valuer and the same is discussed below:

#### Step 1: Demerger of Chemical Business Undertaking of GBL into GBL Chemical

For Step 1, equity shareholders of GBL would be issued equity shares of GBL Chemical on a proportionate basis i.e. share entitlement ratio.

#### Step 2: Slump Sale of Goa Business Undertaking of GBL into GBL LPG

For step 2, GBL would be issued equity shares of GBL LPG i.e. share allotment ratio.

### 6.3 Analysis of the Valuation

While forming our opinion, we performed certain procedures and made certain enquiries with GBL. Some of the procedures / activities performed and the findings are mentioned below:

- Under Step 1, the Scheme involves demerger of Chemical Business Undertaking of GBL into a separate entity GBL Chemical. The effect of demerger is that each shareholder of GBL becomes owner of shares in two companies i.e. GBL and GBL Chemical (Share Entitlement Ratio). The shares held by GBL in GBL Chemical will get cancelled as an integral part of the Scheme. The Scheme does not envisage the dilution of the holding of any one or more shareholders as a result of the operation of the Scheme. We further noted that shareholders of GBL shall become direct beneficial shareholders in GBL Chemical and as such no valuation was carried out.

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For Ganesh Benzoplast Ltd

*Adhanta*  
Company Secretary

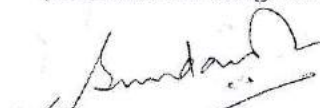


- We note from the Valuers report that the proposed demerger of Chemical Business Undertaking from GBL into GBL Chemical shall entail entitlement of equity shares of GBL Chemical to all the equity shareholders of GBL on a proportionate basis.
- We note from the valuation report that "Upon the Scheme becoming effective and upon the issue of shares by GBL Chemical, the existing 1,00,000 equity shares of Re. 1/- each of GBL Chemical held by GBL, shall stand cancelled without any payment."
- We understand that the transaction being value neutral, the shareholders will be entitled to hold shares in the same proportion in Demerged Company (GBL) and Resulting Company (GBL Chemical). The ratio is fair considering that all the shareholders of GBL are and shall, upon demerger, be the ultimate beneficial economic owners of GBL Chemical and that upon allotment of equity shares by GBL Chemical, in the proposed Share Entitlement Ratio, the shareholding pattern of the GBL Chemical will be the same as that of GBL and hence their economic ownership will remain unchanged.
- Under Step 2, the Management of GBL proposes to transfer the Goa Business Undertaking of the GBL into GBL LPG, which is a wholly owned subsidiary of GBL. In consideration of this transfer of Goa Business Undertaking, the Management of GBL LPG proposes to issue equity shares to GBL (Share Allotment Ratio). The Scheme does not envisage any change in the ultimate shareholding pursuant to such transfer and hence no valuation has been carried out. We note that as there is no change in economic interest of the shareholders, the Share allotment ratio is fair.
- Management of GBL have confirmed that there are no material events after September 30, 2018 till the date of valuation report which could materially alter the purport and outcome of the valuation report.

#### 8. Opinion

Based upon and subject to the foregoing, we are of the opinion on the date hereof, that the Share Allotment Ratio and Share Entitlement Ratio recommended by the Valuer for the proposed Scheme of Arrangement is fair.

For Arihant Capital Markets Limited  
(Merchant Banking Division)


  
A Authorized Signatory.

(SEBI REGN. No. INM 000011070)



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For Ganesh Benzoplast Ltd

  
Company Secretary