Share Exchange Ratio Report

Axel Polymers Limited &

Dhara Petrochemicals Private Limited

August 2019

MSKA
& Associates
Chartered Accountants

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Floor 3, Enterprise Centre, Nehru Road
Near Domestic Airport, Vile Parle (E)
Mumbai - 400099

AXEL POLYMERS LIMITED
MOKSHI

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August 20, 2019

To

The Board of Directors **Axel Polymers Limited** 309, Village Mokshi, Sankarda-Savli Road, Taluka Savli, Vadodara, Gujarat - 391780 India	The Board of Directors **Dhara Petrochemicals Private Limited** 38, Gautam Nagar Society, Race Course, Vadodara, Gujarat- 390007 India

Dear Sir(s)/ Madam(s),

Sub: Recommendation of share exchange ratio for the proposed amalgamation of Dhara Petrochemicals Private Limited into Axel Polymers Limited.

We, MSKA & Associates, Chartered Accountants **('MSKA' or 'We' or 'Us')**, have been appointed vide letter dated August 01, 2019 to recommend the share exchange ratio for the amalgamation of Dhara Petrochemicals Private Limited **('DPPL')** into Axel Polymers Limited **('Axel') (collectively referred as 'the Companies')**. We are pleased to present herewith our report on the same.

The cut-off date for the present valuation exercise has been considered as June 30, 2019 **('Valuation Date')**. A summary of the analysis is presented in the accompanying report, as well as description of the methodology and procedure we used, and the factors we considered in formulating our opinion.

We believe that our analysis must be considered as a whole. Selecting portions of our analysis or the factors we considered, without considering all factors and analysis together could create a misleading view of the process underlying the valuation conclusions. The preparation of a valuation is a complex process and is not necessarily susceptible to partial analysis or summary description. Any attempt to do so could lead to undue emphasis on any particular factor or analysis. This letter should be read in conjunction with the attached report.

Thanking you,

For MSKA & Associates
Chartered Accountants
F.R.N. 105047W

M. No. 103085
Rajesh Thakkar
Partner
Place: Mumbai
UDIN: 19103085AAAADU6279

MSKA & ASSOCIATES Chartered Accountants

AXEL POLYMERS LIMITED MOKSHI

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1. Brief Background of the Companies

Axel Polymers Limited ('Axel')

1.1. Axel Polymers Limited 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. Axel is engaged in the business of manufacturing compounds, blends and alloys of engineering, specialty and commodity polymers. Axel is listed on BSE Limited ("BSE").

1.2. The authorised, issued, subscribed and paid-up equity share capital of Axel as at June 30, 2019 is as under:

Share Capital	Amount (INR Mn)
Authorised Share Capital	
15,000,000 fully paid up equity shares of INR 10 each	150.0
Issued, Subscribed and Paid Up Share Capital	
4,300,000 fully paid up equity shares of INR 10 each	43.0

1.3. The summarized shareholding pattern of Axel as on the Valuation Date is as follows:

Issued Share Capital	Number of Shares	% Stake
Promoters	1,066,668	24.8%
Non-Promoters	3,233,332	75.2%
Total	**4,300,000**	

Dhara Petrochemicals Private Limited ('DPPL)

1.4. Dhara Petrochemicals Private Limited 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.

1.5. The authorised, issued, subscribed and paid-up equity share capital of DPPL as at June 30, 2019 is as under:

Share Capital	Amount (INR Mn)
Authorised Share Capital	
1,000,000 fully paid up equity shares of INR 10 each	10.0
Issued, Subscribed and Paid Up Share Capital	
468,000 fully paid up equity shares of INR 10 each	4.7

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1.6. We have been informed by the management and representatives of the Companies that there has been no change in the above respective shareholding pattern of the Companies till the date of issuance of this report.

2. Purpose of Valuation

2.1. We understand that the management of the Companies intend to amalgamate DPPL with Axel (**'Proposed Transaction'** or **'Proposed Amalgamation'**) through a scheme of amalgamation of Dhara Petrochemicals Private Limited with Axel Polymers Limited and their respective shareholders and creditors under the provisions of Section 230 to 232 of the Companies Act, 2013 (**'the Scheme'**).

2.2. In this regard, we have been appointed to determine the share swap ratio for the Proposed Transaction.

3. Exclusions and Limitations

3.1. This Report and the information contained herein are absolutely confidential and are intended for the use of management of the Companies for providing select information and only in connection with the purpose mentioned above or for sharing with statutory or regulatory authorities. It should not be copied, disclosed, circulated, quoted or referred to, either in whole or in part, in correspondence or in discussion with any other person except to whom it is issued without our written consent. In the event, the Companies or their management or their representatives intends to extend the use of this Report beyond the purpose mentioned earlier in the Report, with or without our consent, we will not accept any responsibility to any other party to whom this Report may be shown or who may acquire a copy of the Report.

3.2. The recommendation contained herein is not intended to represent value at any time other than the Valuation Date.

3.3. This Report is subject to the laws of India.

3.4. The fee for this engagement is not contingent upon the outcome of the Report.

3.5. The scope of our assignment did not involve us performing audit tests for the purpose of expressing an opinion on the fairness or accuracy of any financial or analytical information that was provided and used by us during the course of our work. The assignment did not involve us to conduct the financial or technical feasibility study. We have not done any independent technical valuation or appraisal or due diligence of the assets or liabilities of the Companies or any of its subsidiaries or associated companies and have considered them at the value as disclosed by the Companies in their regulatory filings or in submissions, oral or written, made to us.

3.6. In rendering this Report, we have not provided legal, regulatory, tax, accounting or actuarial advice and accordingly we do not assume any responsibility or liability in respect thereof.

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3.7. This Report is based on the information received from the sources mentioned herein and discussions with the representatives of the Companies. We have assumed that no information has been withheld that could have influenced the purpose of our Report.

3.8. We have assumed and relied upon the truth, accuracy and completeness of the information, data and financial terms provided to us or used by us, we have assumed that the same are not misleading and do not assume or accept any liability or responsibility for any independent verification of such information or any independent technical valuation or appraisal of any of the assets, operations or liabilities of the Companies. Nothing has come to our knowledge to indicate that the material provided to us was mis-stated or incorrect or would not afford reasonable grounds upon which to base our Report.

3.9. For the present valuation exercise, we have also relied upon information available in the public domain; however, the accuracy and timeliness of the same has not been independently verified by us.

3.10. In addition, we do not take any responsibility for any changes in the information used by us to arrive at our conclusion as set out here in which may occur subsequent to the date of our Report or by virtue of fact that the details provided to us are incorrect or inaccurate.

3.11. Further, this Report is necessarily based on financial, economic, monetary, market and other conditions as in effect on, and the information made available to us or used by us up to, the date of this Report. Subsequent developments in the aforementioned conditions may affect this Report and the assumptions made in preparing this Report and we shall not be obliged to update, revise or reaffirm this Report if the information provided to us changes.

3.12. We have arrived at a relative value based on our analysis. Any transaction price may however be significantly different and would depend on the negotiating ability and motivations of the respective buyers and sellers in the transaction.

3.13. Our scope is limited to recommendation of share swap ratio. The Report should not be construed as, our opinion or certifying the compliance of the Proposed Transaction with the provisions of any law including the Companies Act 2013, Foreign Exchange Management Act, 1999, taxation related laws, capital market related laws, any accounting, taxation or legal implications or issues arising from Proposed Transaction.

3.14. The Report assumes that the Companies comply fully with relevant laws and regulations applicable in all their areas of operation unless otherwise stated and that the Companies will be managed in competent and responsible manner. Further, except as specifically stated to the contrary, this Report has given no consideration to matters of legal nature, including issues of legal title and compliance with local laws, litigation and other contingent liabilities that are not recorded in the financial statements of the Companies.

3.15. This Report does not look into the business/commercial reasons behind the Proposed Transaction nor the likely benefits arising out of the same. Similarly, it does not address the relative merits of

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the Proposed Transaction as compared with any other alternative business transaction or any other alternatives, whether or not such alternatives could be achieved or are available.

3.16. Further this Report does not in any manner addresses the prices at which the equity shares of Axel will trade following the announcement of the Proposed Transaction and we express no opinion or recommendation as to how the shareholders of the Companies should vote at any shareholders' meeting to be held in connection with the Proposed Transaction.

3.17. No investigation/inspection of the Companies' claim to the title of assets has been made for the purpose of this Report and the same has assumed to be valid. No consideration has been given to liens or encumbrances against such assets, beyond the loans disclosed in the accounts. Therefore, no responsibility is assumed for matters of legal nature.

3.18. Recommendation of the share swap ratio is specific to the purpose as mentioned above. It may not be valid for any other purpose. Also, it may not be valid if done on behalf of any other entity.

3.19. The determination of a share swap ratio is not a precise science and the conclusions arrived at in many cases will be subjective and dependent on the exercise of individual judgment. There is therefore no indisputable single value. While we have provided an assessment of the value based on an analysis of information available to us and within the scope of our engagement, others may place a different opinion.

3.20. Whilst all reasonable care has been taken to ensure that the factual statements in the Report are accurate, neither us, nor any of our partners, officers or employees shall in any way be liable or responsible either directly or indirectly for the contents stated herein. Accordingly, we make no representation or warranty, express or implied, in respect of the completeness, authenticity or accuracy of such factual statements. We expressly disclaim any and all liabilities, which may arise based upon the information used in this Report.

3.21. Valuation is based on estimates of future financial performance or opinions, which represent reasonable expectations taking into consideration the economic, social and market patterns existing at that point in time but such information, estimates or opinions are not offered as predictions or as assurances that a particular level of income or profit will be achieved, a particular event will occur or that a particular price will be offered or accepted. Actual results achieved during the period covered by the prospective financial analysis will vary from these estimates and the variations may be material.

3.22. In the particular circumstances of this case, our liability, if any (in contract or under statute or otherwise) for any economic loss or damage arising out of or in connection with this engagement, howsoever the loss or damage caused, shall be limited to the amount of fees actually received by us from the Companies, as laid out in the engagement letter, for such valuation work.

3.23. We owe responsibility to only the Boards of Directors of the Companies 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 the Companies. In no event shall we be liable for any loss,

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damages, cost or expenses arising in any way from fraudulent acts, misrepresentations or willful default on part of the Companies, their directors, employees or agents.

3.24. 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. This 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.

4. Sources of Information

4.1. For the purpose of undertaking this valuation exercise, we have relied on the following sources of information provided by the management/ representatives of the Companies:

- Audited financial statements of the Companies for Financial Year ('FY') 2017-18;
- Audited financial statements of Axel for FY 2018-19;
- Provisional financial statements of DPPL for FY 2018-19;
- Limited Review unaudited financial statements of Axel for three months period ended June 30, 2019 submitted to BSE;
- Extract of Balance Sheet of Axel as on June 30, 2019;
- Provisional financial statements of DPPL for three months period ended June 30, 2019;
- Latest shareholding pattern as on the Valuation Date of the Companies;
- Draft computation of income tax for Axel and DPPL for the Assessment Year 2019-20;
- List of contingent liabilities of the Companies and its current status;
- Other relevant data and information provided to us by the representatives of DPPL and Axel either in written or oral form or in form of soft copy of the Companies;
- Information provided by leading database sources (proprietary databases subscribed by us or our network firm), market research reports and other published data (including on NSE and BSE); and
- Draft scheme of arrangement for the Proposed Transaction.

5. Procedures Adopted

5.1. In connection with this exercise, we have adopted the following procedures:

- Requested and received financial and qualitative information;
- Obtained data available in public domain;
- Undertook industry analysis such as researching publicly available market data including economic factors and industry trends that may impact the valuation. Further, analysis of key trends and comparable companies was undertaken.
- Discussion (physical/over call) with the management to understand the business and fundamental factors that could affect its earning-generating capability including strengths, weaknesses, opportunity and threats analysis and historical financial performance.

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- Selection of internationally accepted valuation methodology/(ies) as considered appropriate by us. Our valuation, and this report, is based on the premise of going concern value. Any change in the valuation base, or the premise could have significant impact on our valuation exercise, and therefore, this Report.
- Determination of share swap ratio.

6. Valuation Approaches

6.1. The Proposed Amalgamation scheme contemplates the merger of the Companies pursuant to the scheme of Amalgamation under sections 230 to 232 of the Companies Act, 2013 and other relevant provisions of the Companies Act, 2013. Arriving at the share exchange ratio for the Proposed Amalgamation would require determining the relative values of each company. These values are to be determined independently but on a relative basis, and without considering the effect of the Proposed Amalgamation.

6.2. It is pertinent to note that the valuation of any company or its assets is inherently imprecise 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 certain assumptions with respect to industry performance and general business and economic conditions, many of which are beyond the control of the companies. In addition, this valuation will fluctuate with changes in prevailing market conditions, and prospects, financial and otherwise, of the Companies, and other factors which generally influence the valuation of companies and their assets.

6.3. 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 purposes, 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 a similar nature and our reasonable judgment in an independent and bona fide manner based on our previous experience of assignments of a similar nature.

6.4. It may be noted that the Institute of Chartered Accountants of India ('ICAI') on June 10, 2018 has issued the ICAI Valuation Standards ('IVS'). IVS 301 on Business Valuations deals with valuation of a business or business ownership interest (i.e. it includes valuation of equity shares). We have given due cognizance to the same in carrying out the valuation exercise.

6.5. The cut-off date for the current valuation exercise has been considered as June 30, 2019 and market factors have been considered till August 19, 2019.

6.6. There are the following three valuation approaches which are internationally accepted and provided in the IVS:

(a) "Market" Approach
(b) "Cost" Approach
(c) "Income" Approach

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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 analyzing the market value of a company's assets.

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.

7. Conclusion on Valuation Approach

7.1. In order to consider reasonable methods for the valuation exercise, we have referred to the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations 2018 (**'SEBI ICDR Regulations'**) as amended from time to time and the specific information/explanations available of the Companies. We have considered the following respective methods for the valuation of the companies for the Proposed Amalgamation:

Axel: Discounted Cash Flow Method under the Income Approach has been considered since its value lies in the future earning potential. The shares of Axel are not frequently traded on BSE Ltd as per the definition provided in SEBI ICDR Regulations, hence we have not considered market price approach for valuation. We have not used Comparable Companies Multiple method considering the specialized nature of the business of Axel and paucity of comparable companies. We have not used CTM method for valuation of Axel due to paucity of comparable transactions. We have not considered valuation as per Cost Approach for arriving at the equity value of Axel, since its value lies in its overall business model rather than its asset base. In light of the above, we have used the Discounted Cash Flow Method for the valuation of Axel.

DPPL: Discounted Cash Flow Method under the Income Approach has been considered since its value lies in the future earning potential. DPPL is not listed on any stock exchange, hence market price method is not considered. Comparable Companies Multiple method could not be used for valuation of DPPL due to lack of appropriate listed comparable companies in India. We have not used CTM method for valuation of DPPL due to paucity of comparable transactions. We have not considered valuation as per Cost Approach for arriving at the equity value of DPPL, since its value lies in its overall business model rather than its asset base. In light of the above, we have used the Discounted Cash Flow Method for the valuation of DPPL.

Basis of Share Exchange Ratio

7.2. The basis of the share exchange ratio for the Proposed Amalgamation would have to be determined after taking into consideration all the factors and methods mentioned hereinabove. Though different values have been arrived at under each of the above methods, for the purposes of recommending the share exchange ratio, it is necessary to arrive at a final value for the shares of each company. It is, however, important to note that in doing so, we are not attempting to arrive at the absolute values of the Companies, but at their relative values to facilitate the determination of the share exchange ratio.

7.3. 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 and various qualitative factors relevant to each company and the business dynamics and growth potentials of the businesses of the Companies, having regard to information base, key underlying assumptions and limitations.

7.4. The equity shares of the listed company i.e. Axel in the Proposed Transaction is infrequently traded as per the provisions of SEBI ICDR Regulations on a recognized stock exchange (i.e. BSE) during the twelve calendar months preceding the Report date.

7.5. Attention may also be drawn to Regulation 158 of the SEBI ICDR Regulations which specifies that issue of equity shares to shareholders of an unlisted entity pursuant to a National Company Law Tribunal approved scheme shall conform with the pricing provisions of preferential issue specified under Regulation 165 of the ICDR Regulations. Further it may be noted that Regulation 165 specifies that the price determined by the issuer for infrequently traded listed shares shall take into account the valuation parameters including book value, comparable trading multiples, and such other parameters as are customary for valuation of shares of such companies. In the Proposed Amalgamation inter-alia, DPPL (an unlisted entity) is proposed to be amalgamated with Axel (listed entity). We have accordingly, given due cognizance to the applicable SEBI ICDR Regulations while arriving at the value of Axel.

7.6. We have independently applied methods discussed above, as considered appropriate, and arrived at their assessment of value per share of the Companies. To arrive at the consensus on the fair

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equity share exchange ratio for the Proposed Amalgamation, rounding off have been done in the values.

8. Major factors that were considered during the valuation

8.1. The equity shares of Axel are not frequently traded;

8.2. Key operating/ financial parameters of the Companies; and

8.3. Business plan of the Companies;

9. Conclusion

9.1. In the ultimate analysis, valuation will have to involve the exercise of judicious discretion and judgment taking into account all the relevant factors. There will always be several factors, e.g. present and prospective competition, yield on comparable securities and market sentiments etc. which are not evident from the face of the balance sheets, but which will strongly influence the worth of a share. This concept is also recognized in judicial decisions. For example, Viscount Simon Bd in Gold Coast Selection Trust Ltd. vs. Humphrey reported in 30 TC 209 (House of Lords) and quoted with approval by the Honorable Supreme Court of India in the case reported in 176 ITR 417 as under:

"If the asset takes the form of fully paid shares, the valuation will take into account not only the terms of the agreement but a number of other factors, such as prospective yield, marketability, the general outlook for the type of business of the company which has allotted the shares, the result of a contemporary prospectus offering similar shares for subscription, the capital position of the company, so forth. There may also be an element of value in the fact that the holding of the shares gives control of the company. If the asset is difficult to value, but is nonetheless of a money value, the best valuation possible must be made. Valuation is an art, not an exact science. Mathematical certainty is not demanded, nor indeed is it possible."

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9.2. In the light of the above, and on consideration of all the relevant factors and circumstances as discussed and outlined hereinabove, in our opinion the fair equity share exchange ratio in the event of merger of DPPL into Axel would be as follows (recommendation):

Valuation Approach	Valuation Method	Axel		DPPL	
		Value Per Share (INR)	Weights	Value Per Share (INR)	Weights
Market Approach	MP Method	12.5	0%	NA	NA
Market Approach	CCM Method	NA	NA	NA	NA
Cost Approach	NAV Method	5.3	0%	98.3	0%
Income Approach	DCF Method	21.5	100%	193.4	100%
Relative Value Per Share		21.5	100%	193.4	100%
Exchange Ratio (Rounded Off)		901		100	

Recommendation:

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

For MSKA & Associates
Chartered Accountants
F.R.N. 105047W

M. No. 103085
Rajesh Thakkar
Partner
Place: Mumbai
UDIN: 19103085AAAADU6279

MSKA
& Associates
Chartered Accountants

November 07, 2019

To

The Board of Directors
Axel Polymers Limited
309, Village Mokshi,
Sankarda-Savli Road, Taluka Savli,
Vadodara, Gujarat - 391780
India

The Board of Directors
Dhara Petrochemicals Private Limited
38, Gautam Nagar Society,
Race Course,
Vadodara, Gujarat- 390007
India

Dear Sir / Madam,

Sub: Clarification on Valuation Report Dated August 20, 2019 with UDIN Reference Number: 19103085AAAADU6279 issued to Recommend the Exchange Ratio for the proposed amalgamation of Dhara Petrochemicals Private Limited into Axel Polymers Limited

We, MSKA & Associates, Chartered Accountants (**"MSKA" or "We" or "Us"**), had been appointed vide engagement letter, dated August 01, 2019, to recommend the share exchange ratio for the amalgamation of Dhara Petrochemicals Private Limited (**"DPPL"**) into Axel Polymers Limited (**"Axel"**) **(collectively referred to as "the Companies")**.

Pursuant to the same, we had issued our signed valuation report dated August 20, 2019 with UDIN reference number - 19103085AAAADU6279 (**"Valuation Report"**) to recommend the exchange ratio.

Further, we have been requested to clarify / provide the following:

1. all the working of the different methods used in the valuation report submitted;
2. it is observed that some of the method are not used for both the Companies. So, in such case reason for not using methods of valuation has not been provided as a footnote to the table as necessitated by SEBI. Therefore, Company is advised to provide Valuation Report as per SEBI's requirement inter-alia providing footnote to the table of valuation for not using specific method of valuation; and
3. While doing the calculation of value per shares for both the Companies the value is coming to 8.99/ 899/100. But valuer has mention 901/100. Kindly clarify.

In response to above requested clarifications, we submit hereby that:

1. For the working of the different methods used in the valuation report, refer to the following:
   Annexure I - Discounted Cashflow for valuation of Axel

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Annexure II - Weighted Average Cost of Capital of Axel

Annexure III - Net Asset Value of Axel

Annexure IV - Market Price Method - Axel

Annexure V - Discounted Cashflow for valuation of DPPL

Annexure VI - Weighted Average Cost of Capital of DPPL

Annexure VII - Net Asset Value of DPPL

2. Conclusion on Valuation Approach is presented in Sections 7 (pages 11 & 12) of the Valuation Report where the rationale for using or not using specific valuation methods have been presented;

   In order to further clarify, we are representing the same as below:

   In case of merger of DPPL into Axel, following is the computation of fair equity share exchange ratio:

Valuation Approach	Valuation Method	Axel		DPPL	
		Value Per Share (INR)	Weights	Value Per Share (INR)	Weights
Market Approach	MP Method	12.5	0%	NA	NA
Market Approach	CCM Method	NA	NA	NA	NA
Cost Approach	NAV Method	5.3	0%	98.3	0%
Income Approach	DCF Method	21.5	100%	193.4	100%
Relative Value Per Share		**21.5**	**100%**	**193.4**	**100%**
Exchange Ratio (Rounded Off)		901		100	

Footnote 1:

Axel: Discounted Cash Flow Method under the Income Approach has been considered since its value lies in the future earning potential. The shares of Axel are not frequently traded on BSE Ltd as per the definition provided in SEBI ICDR Regulations, hence we have not considered market price approach for valuation. We have not used Comparable Companies Multiple method considering the specialized nature of the business of Axel and paucity of comparable companies. We have not used CTM method for valuation of Axel due to paucity of comparable transactions. We have not considered valuation as per Cost Approach for arriving at the equity value of Axel, since its value lies in its overall business model rather than its asset base. In light of the above, we have used the Discounted Cash Flow Method for the valuation of Axel.

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Footnote 2:

DPPL: Discounted Cash Flow Method under the Income Approach has been considered since its value lies in the future earning potential. DPPL is not listed on any stock exchange, hence market price method is not considered. Comparable Companies Multiple method could not be used for valuation of DPPL due to lack of appropriate listed comparable companies in India. We have not used CTM method for valuation of DPPL due to paucity of comparable transactions. We have not considered valuation as per Cost Approach for arriving at the equity value of DPPL, since its value lies in its overall business model rather than its asset base. In light of the above, we have used the Discounted Cash Flow Method for the valuation of DPPL.

3. The difference between the calculated exchange ratio of 899/100 compared to 901/100 is due to presenting the value per share up till 1 decimal place. The value per share figure in the final share exchange ratio is arrived at 901/100 as under:

Company	Value Per Share (INR)
Axel	21.46
DPPL	193.42
Exchange Ratio (Rounded Off)	901

For MSKA & Associates
Chartered Accountants
F.R.N. 105047W

M. No. 103085
Rajesh Thakkar
Partner
Place: Mumbai

MSKA & ASSOCIATES Chartered Accountants

AXEL POLYMERS LIMITED MOKSHI