



ARIHANT Capital Markets Ltd.

**Fairness Opinion**

**SCHEME OF AMALGAMATION**

**OF**

**AVADH SNACKS PRIVATE LIMITED  
(Transferor Company 1)**

**AND**

**RED ROTOPACK PRIVATE LIMITED  
(Transferor Company 2)**

**WITH**

**PRATAAP SNACKS LIMITED  
(Transferee Company)**

**Prepared by:  
ARIHANT Capital Markets Limited  
Merchant Banking Division  
Mumbai**

**September 29, 2021**

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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## 1. Background

- i. **AVADH SNACKS PRIVATE LIMITED** is a company incorporated on August 25, 2017, under the Companies Act, 2013, bearing corporate identity number U15132GJ2017PTC098837, having its registered office at R.S. No. 123/P3, New R.S. No. 128, Ind. Plot No. 1, Nikava, Jamnagar, Gujarat 361162 (hereinafter referred to as the "**Avadh**" or "**Transferor Company 1**"). The Transferor Company 1 is engaged, *inter alia*, in the business of manufacture, sale, trading and distribution of savoury items including but not limited to natural and flavored like snacks, pellets, fryums, namkeen, farsan, salted foods including all kind of baby and diabetic food and all natural, synthetic, or chemical edible foods, jams, jelly, pickle, cider, chutney, carbonated and non-carbonated drinks, ice-creams, fast foods, frozen foods etc. and confectionery items including but not limited to breads, roti, pizza, cakes, pastries, wafers. The Transferor Company 1 is a subsidiary of the Transferee Company, with the Transferee Company holding 90.48% (Ninety Point Four Eight percent) of the issued share capital of the Transferor Company.
- ii. **RED ROTOPACK PRIVATE LIMITED** is a company incorporated on December 17, 2015, under the Companies Act, 2013, bearing corporate identity number U25199GJ2015PTC085423 having its registered office at Survey No. - 128, Plot No.- 3, Opp. Supertech, Nikava, Kalawad Gujarat 361162 (hereinafter referred to as the "**Red Rotopack**" or "**Transferor Company 2**"). The Transferor Company 2 is engaged, *inter alia* in manufacturing, processing, buying, selling, importing, exporting and other wise dealing all kinds card-board packing, plastic packing, roto printing, polythene packing gunny bags, containers, bottles, hollow wares, whether made of leather plastic, and all types of packing solutions. The Transferor Company 2 is the wholly owned subsidiary of the Transferor Company 1.
- iii. **PRATAAP SNACKS LIMITED** is a company incorporated on March 23, 2009, under the Companies Act, 1956, bearing corporate identity number L15311MP2009PLC021746 having its registered office at Khasra No 378/2, Nemawar Road, Near Makrand House, Palda, Indore, 452020 (hereinafter referred to as the "**Prataap**" or "**Transferee Company**"). The Transferee Company was incorporated as private company on March 23, 2009 as Prataap Snacks Private Limited and the same was converted into public limited company on September 19, 2016 vide certificate of Registrar of companies, Gwalior as Prataap Snacks Limited. The Transferee Company is, *inter alia*, authorized to and is engaged in the business of manufacturing, producing, processing, stocking of and dealing in processed foods, vegetables, fruits, including tinned vegetables and snacks prepared from any type of vegetable, fruits, cereals, wheat, rice and allied products including potato chips, potato wafers, potato fingers puffs, various namkeens and to run cold storage for storage of vegetables, fruits, food products.

The Transferor Company 1 and the Transferor Company 2 are hereinafter collectively referred to as the "**Transferor Companies**".

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The Transferee Company and the Transferor Company are related parties as the the Transferee Company is holding to 90.48% (Ninety point Four Eight per cent) of the issued share capital of the Transferor 1 Company.

During the financial year 2018-19, with the objective of acquiring the ongoing business operations carried on by the Transferor Company 1, the Transferee Company acquired 80% (Eighty per cent) of the equity share capital of the Transferor Company 1 from its existing and erstwhile shareholders. In February 2021, the Transferee Company further acquired 10.48% (Ten point Four Eight per cent) of the equity share capital of the Transferor Company 1 from its existing shareholders, aggregating its collective shareholding to 90.48% (Ninety point Four Eight per cent) in the Transferor Company 1.

Management of Transferor and Transferee Company have decided to enter into a scheme of amalgamation which provides for:

- a) The amalgamation of the Transferor Companies with and into the Transferee Company pursuant to Section 230 read with Section 232 and other relevant provisions of the Act read with the Rules therein.
- b) Issuance of Equity Share of face value of Rs. 5 each fully paid up, of the Transferee Company to the equity shareholders of the Transferor 1 Company except to the Transferee Company as per the terms set out under this Scheme.
- c) Dissolution without winding up of the Transferor Companies.

The Appointed date of the Scheme is April 01, 2021.

The Board of directors of the Transferor Companies and the Transferee Company anticipate, *interalia*, the following benefits pursuant to the amalgamation of the Transferor Companies into the Transferee Company:

- (i) The amalgamation will result in better integration and financial strength and flexibility for the amalgamated entity, which would result in maximizing overall shareholder value, and will improve the competitive position of the combined entity, reduction in operational costs. The business of the Transferor Companies can be carried on more economically.
- (ii) The amalgamation would result in synergy benefits arising out of single value chain and greater sustainable operations of a value adding business line by manufacturing potato chips, wafers, extruded snacks, pellets, various type of namkeens and sweet snacks with greater operational flexibility.
- (iii) Synergy of operations will be achieved, resulting in optimization of the common facilities such as manpower, office space, administration etc. Other infrastructure could also be better utilized, and duplication of facilities could be avoided resulting in optimum use of facilities and cost savings and thus achieving economies of scale.



- (iv) Improved organizational capability and leadership, arising from the pooling of human capital that has the diverse skills, talent and vast experience to compete successfully in an increasingly competitive industry.
- (v) The amalgamation would result better efficiency in cash management of the amalgamated entities and unfettered access to cash flow generated by the combined business which can be deployed more efficiently to fund organic and inorganic growth opportunities, to maximize shareholders value.
- (vi) The amalgamation will result the advantages of the combined assets, resources and complementary strengths for future expansion and growth of the business of the Transferee Company.

Towards this purpose, the Board of Directors of Transferee Company have provided us with a draft copy of the proposed scheme of Amalgamation of Transferor and Transferee company, which is scheduled to be considered and approved at Transferee company's forthcoming Board meeting ("Scheme"). The proposed Scheme will also be placed at the meeting of the Board of Directors of the Transferor Companies for their approval.

## 2. Reference & Context

As the equity shares of Transferee are listed on BSE Limited ("BSE") and National Stock Exchange of India Limited ("NSE"), it is bound by the SEBI Listing Obligations and Disclosure Requirements) Regulations 2015 ("SEBI LODR Regulations") and the provisions thereof as amended from time to time.

We, Arihant Capital Markets Ltd., have been appointed to issue a fairness opinion in terms of SEBI circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017, SEBI circular No. CFD/DIL3/CIR/2017/26 dated March 23, 2017 read with Master Circular No. SEBI/HO/CFD/DIL1/CIR/P/2020/249 dated December 22, 2020 on valuation of assets done by independent Valuers for the Transferor Companies and Transferee Company pursuant to the proposed Scheme of Amalgamation

We are a SEBI registered merchant banker and are not associates of Transferors and Transferee.

We have applied ourselves towards formation and expression of the opinion on the valuation of equity shares of Transferors and Equity shares of Transferee company done by the Registered valuer Mr. Paras K Savla, Insolvency and Bankruptcy Board of India ("IBBI") registered Valuer ("Valuers") in relation to this proposed Scheme of Amalgamation.

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

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### 3. Proposed Transaction

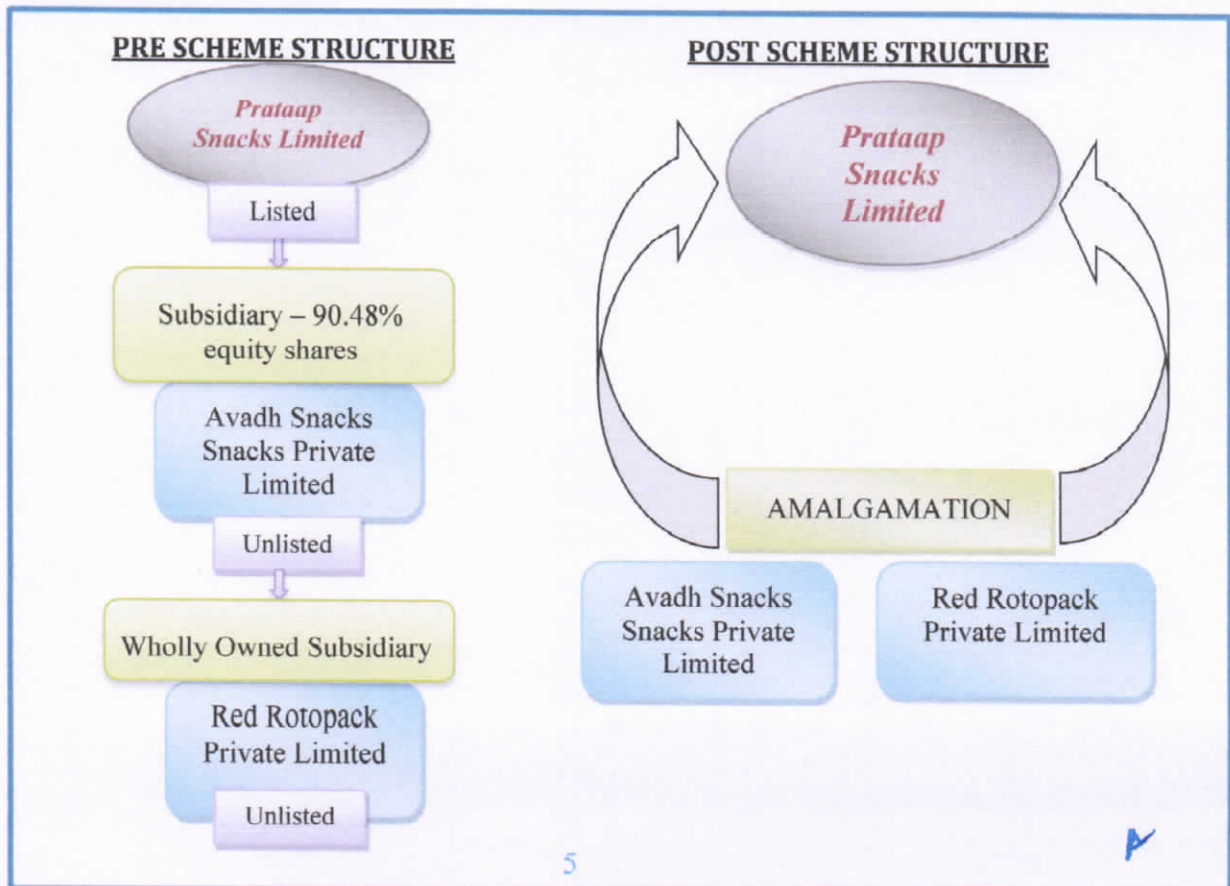
Avadh and Red Roptak will amalgamate with Prataap through the proposed Scheme of Amalgamation. Below mentioned structure is as per the proposed Scheme provided to us by Prataap.

Transferor Company 1 is a subsidiary of the Transferee Company and the Transferee Company holds 6,79, 986 equity shares (including 1,01,563 partly paid-up equity shares of INR 6 paid-up against face value of INR10 each) in the Transferor Company 1, constituting 90.48% (Ninety point four eight per cent) of the issued share capital of the Company. On amalgamation of the Transferor Company 1 with the Transferee Company, no shares (whether equity or preference shares) of the Transferee shall be issued or allotted in respect of the equity shares held by the Transferee Company in the Transferor Company 1.

Transferor Company 2 is a wholly owned subsidiary of the Transferor Company 1 wherein the Transferor Company 1 together with its nominees holds all the shares issued by the Transferor Company 2. Transferee Company does not directly hold any shares in the Transferor Company 2, and on amalgamation of the Transferor Company 2 with the Transferee Company, no shares (whether equity or preference shares) of the Transferee Company shall be issued or allotted to shareholders of Transferor Company 2 i.e. Transferor Company 1 - Avadh, as Avadh will itself will get amalgamated with Transferee Company under the proposed scheme.

In consideration of the amalgamation, the Transferee Company shall, issue and allot 568 equity shares of the Transferee Company for every 100 equity shares held by shareholders other than Transferee company in the Transferor Company 1.

#### Proposed Transaction



## 4. Engagement Context

The management of Transferee Company has requested ARIHANT Capital Markets Limited (“ARIHANT” or “We / Us / Our”) to express an opinion about fairness of the valuation done by the Valuers from a financial point of view in accordance with SEBI master circular No. SEBI/HO/CFD/DIL1/CIR/P/2020/249 dated December 22, 2020 issued by SEBI read with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 to the Shareholders transferee company (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 Valuers and recommendation of share exchange ratio 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 Prataap 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 Prataap 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.

## 5. 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 Transferor and Transferee Company.
2. Audited Consolidated financials of Prataap as on March 31, 2021 and Provisional Consolidated Financials for Avadh for the financial year ending March 31, 2021
3. Certified draft of the proposed Scheme of Amalgamation to be approved by the Boards of Directors of the respective companies.
4. Undertakings / Management Representations issued by Prataap and Avadh in relation to valuation of respective companies.

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5. Copy of the valuation report of the Valuers Paras K Savla dated September 29, 2021 on the valuation of Transferor and Transferee Companies and recommending Fair Share Exchange ratio for the proposed scheme.
6. 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. Prataap has provided us with the copy of valuation report done by the Valuers and have asked us to peruse and opine on the said report. Prataap has confirmed that as the issuance of Fairness Opinion is in relation to proposed amalgamation, the said valuers's 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 / Valuers by Prataap, Avadh 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 Transferor Companies and Transferee Company.

In preparing this opinion, ARIHANT has received specific confirmation from management of transferee company and transferor companies 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 Valuers 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 Transferee Company and Transferor Companies to address and further to be confirmed by the shareholders of both the companies, as may be required.

It is specifically noted that the Valuer is an independent Valuer registered with IBBI for asset class 'Securities and Financial Assets' and as such possesses requisite qualification, competence and experience to conduct the valuation and is solely responsible for selection of valuation methods and calculations thereunder and the valuer's competence has been fully relied upon. We are required to assess the fairness of the valuation and the resulting swap ratio.

The Opinion assumes that the Companies comply fully with relevant laws and regulations applicable in all its area of operations unless otherwise stated, and the Companies are managed in a competent and responsible manner. Further, except as specifically stated to the contrary, this fairness opinion has given no consideration to matters of a legal nature, including issues of legal title and compliance with local laws,



and litigation and other contingent liabilities that are not recorded in the financial statements of the Companies.

ARIHANT's formation of fairness opinion is based on the Valuation Report, information supplied by Transferee Company and Transferor Companies, 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 liable if our opinion becomes flawed as a result of any shortcomings in such information, representations and confirmations given by Transferee Company and Transferor Companies.

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 of Amalgamation, without any material changes to, or waiver of, its terms or conditions.

## 6. 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 Valuers. ARIHANT has made a qualitative assessment of the appropriateness of the method and subsequent application.

### 6.2 Valuation

ARIHANT has reviewed the method of valuation adopted by the Valuers. The valuation analysis is focused on Valuer's assessment of Avadh's equity shares and Equity shares of Prataap.

In the Present case, the Transferor companies are private companies. Red Rotopack private limited is a wholly owned subsidiary of Avadh snacks private limited and hence Red Rotopack is not separately valued, instead Avadh snacks private limited is valued on consolidated basis. The valuation of Transferor Company(s) is based on broadly accepted valuation methodologies i.e. a) Income Approach and b) Market Approach. The Valuer has stated that the Asset Approach does not reflect the intrinsic value of the business in a going concern scenario and he has therefore not considered Asset approach for the valuation of ASPL & RRPL.

- a) Income Approach: We note that the Valuer has used Discounted Cash Flow (DCF) method under the Income approach to arrive at the equity value of Avadh. DCF is one of the widely acceptable methodologies for valuation of companies in growth phase.
- b) Market Approach: Based on the market data available, Valuers have identified few peer companies and accordingly appropriate multiples were assigned to compute the value.

Suitable weights have been assigned to the values derived by the Valuers.

The valuation is being done to amalgamate the transferor and transferee companies and if successful, would result in complete control of the Transferor Company(s) to the Transferee Company. In such a case, suitable control premium may be applied to the equity value arrived, which is for a non-controlling stake. Considering the same, Valuers have assigned a control premium of 20% to arrive at the equity value of the Company.

### **6.3 Analysis of the Valuation**


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

- Noted that the scheme involves amalgamation of Avadh and Red rotopack with and into Prataap and upon implementation will lead to dissolution without winding up of the Transferor companies.
- Noted that the appointed date for the proposed scheme of Amalgamation is April 1, 2021 and the valuation of Avadh is carried out considering latest available financials as on June 30, 2021.
- Red rotopack is a wholly owned subsidiary of Avadh and hence no separate valuation is done for Red rotopack.
- The valuation of Avadh is based on the broadly accepted valuation methodologies and the approach seems reasonable.
- The consideration of amalgamation is settled through issuance of equity shares of Rs 5 each by Prataap to shareholders of Avadh other than Prataap.
- Shares held by Prataap in Avadh shall be cancelled and extinguished.

## **7. Opinion**

Based upon and subject to the foregoing, we are of the opinion on the date hereof, that the valuation including the Exchange ratio of 568 (Five Hundred and Sixty Eight) equity shares of Prataap of Rs. 5/- (Rupees Five Only) each fully paid up for every 100 (Hundred) equity shares of Avadh of Rs. 10/- (Rupees Ten Only) each fully paid up as recommended by the Valuers for the proposed Scheme of Amalgamation is fair.

For Arihant Capital Markets Limited  
(Merchant Banking Division)

  
Authorized Signatory.  
(SEBI REGN. No. INM 000011070)

