

SSPA & CO.

Chartered Accountants

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STRICTLY PRIVATE & CONFIDENTIAL

June 18, 2018

**The Board of Directors,
Borosil Glass Works Limited**
Khanna Construction House,
Dr. R.G. Thadani Marg, Worli,
Mumbai 400 018.

**The Board of Directors,
Gujarat Borosil Limited**
Village - Govali, Taluka - Jhagadia,
District - Bharuch,
Gujarat - 393 001.

**The Board of Directors,
Vylina Glass Works Limited**
107, Famous Cine Studio Building,
20, Dr. E. Moses Road,
Mahalaxmi, Mumbai - 400 011.

**The Board of Directors,
Fennel Investment and Finance Private Limited**
1101, Crescenzo, G-Block,
Opp. MCA Club, Bandra Kurla Complex,
Bandra (East), Mumbai - 400 051.

**The Board of Directors,
Hopewell Tableware Private Limited**
1101, Crescenzo, G-Block,
Opp. MCA Club, Bandra Kurla Complex,
Bandra (East), Mumbai - 400 051.

Re: Recommendation of:

- (a) Fair Share exchange ratio for proposed amalgamation of Vylina Glass Works Limited, Fennel Investment and Finance Private Limited and Gujarat Borosil Limited into Borosil Glass Works Limited; and
- (b) Fair Share entitlement ratio for proposed demerger of "Scientific and Industrial products and Consumer products business" of Borosil Glass Works Limited along with business of Vylina Glass Works Limited vested into Borosil Glass Works Limited (pursuant to amalgamation of Vylina Glass Works Limited, Fennel Investment and Finance Private Limited and Gujarat Borosil Limited) into Hopewell Tableware Private Limited

Dear Sirs,

As requested by the management of Borosil Glass Works Limited and Gujarat Borosil Limited, we have undertaken the valuation exercise of equity shares of Vylina Glass Works Limited (hereinafter referred to as 'VGWL'), Fennel Investment and Finance Private Limited (hereinafter referred to as 'FIFPL'), Gujarat Borosil Limited (hereinafter referred to as 'GBL') and Borosil Glass Works Limited (hereinafter referred to as 'BGWL') for recommending the



fair share exchange ratio for the proposed amalgamation of VGWL, FIFPL and GBL into BGWL. Further, we have been informed that post amalgamation of VGWL, FIFPL and GBL into BGWL, the management of BGWL proposes to demerge Scientific and Industrial products and Consumer products business of BGWL along with business of VGWL vested into BGWL pursuant to amalgamation of VGWL with BGWL (hereinafter referred to as “Demerged Undertaking”) into Hopewell Tableware Private Limited (hereinafter referred to as ‘HTPL’) and for this purpose, we have been asked to recommend a fair share entitlement ratio for the proposed demerger.

BGWL, VGWL, FIFPL, GBL and HTPL are hereinafter collectively referred to as the “Companies”.

1. PURPOSE OF VALUATION

- 1.1 We have been informed that the Board of Directors of the Companies are considering a proposal for amalgamation of VGWL, FIFPL and GBL into BGWL. Subsequent to the amalgamation, the management of BGWL proposes to demerge the Demerged Undertaking of BGWL into HTPL. The aforesaid arrangement is proposed to be carried out pursuant to the Composite Scheme of Amalgamation and Arrangement between the Companies and their respective shareholders and creditors under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 (hereinafter referred to as the ‘Scheme’). In consideration for amalgamation of VGWL, FIFPL and GBL into BGWL, equity shares of BGWL would be issued to the equity shareholders of VGWL, FIFPL and GBL.
- 1.2 For this purpose, SSPA & Co., Chartered Accountants (‘SSPA’) have carried out relative valuation of the equity shares of VGWL, FIFPL, GBL and BGWL with a view to recommend fair share exchange ratio of equity shares of BGWL to be issued to the equity shareholders of VGWL, FIFPL and GBL. Further, SSPA have also been requested to recommend the fair share entitlement ratio for proposed demerger of Demerged Undertaking of BGWL into HTPL. The recommendation of fair share exchange ratio and fair share entitlement ratio is for the consideration of the Board of Directors of the Companies.
- 1.3 Subject to necessary approvals, VGWL, FIFPL and GBL would be amalgamated into BGWL and Demerged Undertaking of BGWL would be demerged into HTPL from the Appointed Date, as defined in the Scheme.



- 1.4 This report sets out our recommendation of the share exchange ratio and share entitlement ratio and discusses the methodologies and approach considered in the computation of respective ratios.

2. BRIEF BACKGROUND OF COMPANIES

2.1. BOROSIL GLASS WORKS LIMITED

2.1.1. BGWL was established in the year 1962 in collaboration with Corning Glass Works USA. In 1988, Corning Glass Works divested its stake in BGWL. The company undertakes business mainly through 2 divisions:

- **Scientific and industrial products division:** This division mainly sells laboratory glassware viz. beakers, bottles, burettes, condensers, cones, cylinders, desiccators, dishes, distilling apparatus, instruments used by laboratories/research institutions, etc. The division's products has found use in over 2000 different products and applications, in areas as diverse as Microbiology, Biotechnology, Lighting and Pharma.
- **Consumer products division:** This division offers gourmets, casseroles, mixing bowls, dishes, smart-lid dishes, bowls and plates, and combination sets; vision glasses, carafes, jugs, cups and saucer sets, appliances, storage products, etc.

2.1.2. The Company is a market leader for laboratory glassware and microwavable kitchenware in India. The shares of BGWL are listed on the BSE Limited ('BSE'). Further, the shares of BGWL are also listed on the National Stock Exchange of India from May 24, 2018.

2.1.3. As on date, BGWL holds 100% equity stake in HTPL, ~ 25.25% equity stake in GBL and ~ 45.85% equity stake in FIFPL.

2.2. VYLINE GLASS WORKS LIMITED

2.2.1. VGWL was incorporated on June 01, 1987. It is engaged in manufacturing of specialty glassware items comprising of scientific products such as Burettes, Pipettes, Cylinders & Vol flasks and industrial as well as Consumer ware finished products like drinking glasses. The factory is located at Village - Dumala Boridra, Jhagadia, Bharuch, Gujarat.

2.3. VGWL mainly supplies its products to BGWL. Additionally, it holds ~ 8.29% equity stake in FIFPL.

2.4. FENNEL INVESTMENT AND FINANCE PRIVATE LIMITED

2.4.1. FIFPL was incorporated on February 22, 2002. It is a Non-Banking Financial Company



(NBFC) registered with Reserve Bank of India and is mainly engaged in investment activities. We have been informed by the Management that it does not undertake any substantial business activity.

2.4.2. Apart from various other investments, currently FIFPL holds ~ 5.37% equity stake in BGWL and ~ 33.13% in GBL.

2.5. **GUJARAT BOROSIL LIMITED**

2.5.1. GBL was incorporated on December 22, 1988. It is engaged in manufacturing of low iron textured solar glass for application in Photovoltaic panels, Flat plate collectors and Green houses. It also manufactures patterned glass for architectural applications.

2.5.2. The factory is located at Village - Govali, Jhagadia, Bharuch, Gujarat with a an operating capacity at 180 Tonnes per day. Further, the company plans to install a new capacity of 210 Tonnes per day.

2.5.3. The equity shares of GBL are listed on the BSE.

2.6. **HOPEWELL TABLEWARE PRIVATE LIMITED**

2.6.1. HTPL was incorporated on November 25, 2010. The Company is engaged in production of opalware kitchenware items.

2.6.2. BGWL has acquired 100% equity stake from erstwhile promoters of HTPL in January 2016.

2.6.3. Currently, BGWL also holds 2,80,00,000 Optionally Convertible Non-Cumulative Redeemable Preference Shares ('OCRPS') of INR 10 each which are convertible into 1 equity share for every 1 OCRPS.

3. **SOURCES OF INFORMATION**

3.1. For the purpose of the valuation exercise, we have relied upon the following sources of information provided by the management of Companies.

- (a) Audited financial statements of the Companies for financial year (FY) 2016-17.
- (b) Management certified provisional/Audited financial statements of the Companies for financial year 2017-18.
- (c) Financial projections of the Companies comprising of Balance Sheet and Profit & Loss Account for FY 2018-19 to FY 2022-23.
- (d) Draft Composite Scheme of Amalgamation and Arrangement.
- (e) Other relevant details regarding the Companies such as their history, past and present activities, existing shareholding pattern, surplus assets, income-tax



position and other relevant information and data, including information in the public domain.

- (f) Such other information and explanations as we required and which have been provided by the management of the Companies including Management Representations.

4. EXCLUSIONS AND LIMITATIONS

- 4.1. Our report is subject to the scope limitations detailed hereinafter. As such the report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to herein and in the context of the purpose for which it is made.
- 4.2. Valuation is not a precise science and the conclusions arrived at 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 value by applying certain formulae which are based on the information available, others may place a different value.
- 4.3. Our scope of work does not enable us to accept responsibility for the accuracy and completeness of the information provided to us. We have, therefore, not performed any audit, review or examination of any of the historical or prospective information used and therefore, does not express any opinion with regards to the same.
- 4.4. No investigation on the Companies' claim to title of assets has been made for the purpose of this valuation and their claim to such rights has been assumed to be valid. No consideration has been given to liens or encumbrances against the assets, beyond the loans disclosed in the accounts. Therefore, no responsibility is assumed for matters of a legal nature.
- 4.5. Our work does not constitute an audit or certification of the historical financial statements / prospective results of the Companies and information sourced from public domain, referred to in this report. We have, therefore, not performed any due diligence procedure on the historical data / prospective results and information sourced from public domain. Further, we do not accept responsibility for the accuracy and completeness of the information provided to us by the Companies / auditors / consultants or information sourced from public domain and accordingly, we are unable to and do not express an opinion on the fairness or accuracy of any financial information referred to in this report and consequential impact on the present



exercise.

- 4.6. Valuation analysis and results are specific to the purpose of valuation and the valuation date mentioned in the report and is as per agreed terms of our engagement.
- 4.7. In the course of the valuation, we were provided with both written and verbal information. Our conclusions are based on the assumptions, forecasts and other information given by/on behalf of the Companies. We assume no responsibility for any errors in the above information furnished by the Companies and consequential impact on the present exercise.
- 4.8. Our recommendation is based on the estimates of future financial performance as projected by the management of the Companies, which represents their view of reasonable expectation at the point of time when they were prepared, after giving due considerations to commercial and financial aspects of the Companies and the industry in which the Companies operate. But such information and estimates are not offered as assurances that the particular level of income or profit will be achieved or events will occur as predicted. Actual results achieved during the period covered by the prospective financial statements may vary from those contained in the statement and the variation may be material. The fact that we have considered the projections in this exercise of valuation should not be construed or taken as our being associated with or a party to such projections.
- 4.9. A valuation of this nature involves consideration of various factors including those impacted by prevailing market trends in general and industry trends in particular. This report is issued on the understanding that the respective management of the Companies has drawn our attention to all the matters, which they are aware of concerning the financial position of the Companies and any other matter, which may have an impact on our opinion, on the fair value of the shares of the Companies including any significant changes that have taken place or are likely to take place in the financial position of the Companies. We have no responsibility to update this report for events and circumstances occurring after the date of this report.
- 4.10. The fee for the engagement and this report is not contingent upon the results reported.
- 4.11. This report is prepared only in connection with the proposed transaction as explained in Para 2. It is exclusively for the use of the Companies and for submission to any



regulatory/statutory authority as may be required under any law.

- 4.12. Our report is not, nor should it be construed as our opining or certifying the compliance of the proposed transaction with the provisions of any law including companies, taxation and capital market related laws or as regards any legal implications or issues arising from such proposed amalgamation.
- 4.13. Any person/party intending to provide finance/invest in the shares/convertible instruments/ business of the Companies shall do so after seeking their own professional advice and after carrying out their own due diligence procedures to ensure that they are making an informed decision.
- 4.14. The decision to carry out the transaction (including consideration thereof) lies entirely with the Management/ the Board of Directors of the Companies and our work and our finding shall not constitute a recommendation as to whether or not the Management / the Board of Directors of the Companies should carry out the transaction.
- 4.15. Our Report is meant for the purpose mentioned in Para 1 only and should not be used for any purpose other than the purpose mentioned therein. The Report should not be copied or reproduced without obtaining our prior written approval for any purpose other than the purpose for which it is prepared. In no event, regardless of whether consent has been provided, shall SSPA assume any responsibility to any third party to whom the report is disclosed or otherwise made available.
- 4.16. SSPA nor its partners, managers, employees make any representation or warranty, express or implied, as to the accuracy, reasonableness or completeness of the information, based on which the valuation is carried out. All such parties expressly disclaim any and all liability for, or based on or relating to any such information contained in the valuation.

5. PROPOSED AMALGAMATION OF VGWL, FIFPL AND GBL INTO BGWL

5.1. VALUATION APPROACH

- 5.1.1. For the purpose of amalgamation, generally following valuation approaches can be considered, viz,
- (a) the 'Underlying Asset' approach;
 - (b) the 'Income' approach and
 - (c) the 'Market' approach



- 5.1.2. As mentioned in para 2.4, FIFPL is an investment holding company. Therefore, for the purpose of the present valuation we have thought fit to use 'Underlying Asset' approach for valuation of FIFPL. Since the 'underlying asset' approach does not reflect the intrinsic value of the business in case of VGWL, GBL and BGWL, the same has not been adopted.
- 5.1.3. Given the nature of the business in which VGWL, GBL and BGWL is engaged, 'Income' approach is considered appropriate for present valuation exercise.
- 5.1.4. As mentioned earlier, GBL and BGWL are listed entities and frequently traded on stock exchange. For this reason, we have considered 'Market' approach for the valuation exercise of GBL and BGWL. For the purpose of valuation of VGWL, 'Market' approach has not been adopted since it is not listed on any stock exchange.

5.2. UNDERLYING ASSET APPROACH

- 5.2.1. Under 'Underlying Asset' approach, the value of FIFPL is determined by dividing the net assets of a company by the number of shares.
- 5.2.2. In arriving at the Adjusted Net Assets Value, we have made appropriate adjustments for appreciation in value of investments and contingent liabilities after making adjustment of tax wherever applicable.
- 5.2.3. The value as arrived above is divided by the outstanding number of equity shares to arrive at the value per share.

5.3. INCOME APPROACH

- 5.3.1. Under the 'Income' approach, shares of VGWL, GBL and BGWL have been valued using "Discounted Cash Flow" (DCF) method.
- 5.3.2. Under the DCF method the projected free cash flows from business operations after considering fund requirements for projected capital expenditure and incremental working capital are discounted at the Weighted Average Cost of Capital (WACC). The sum of the discounted value of such free cash flows and discounted value of perpetuity is the value of the business.
- 5.3.3. The free cash flows represent the cash available for distribution to both the owners and the creditors of the business. The free cash flows are determined by adding back to profit before tax, (i) interest on loans, if any, (ii) depreciation and amortizations (non-cash charge) and (iii) any non-operating item. The cash flow is adjusted for



outflows on account of (i) capital expenditure, (ii) incremental working capital requirements and (iii) tax.

5.3.4. WACC is considered as the most appropriate discount rate in the DCF Method, since it reflects both the business and the financial risk of the Company. In other words, WACC is the weighted average of the company's cost of equity and debt. Considering an appropriate mix between debt and equity for the Companies, we have arrived at the WACC to be used for discounting the Free Cash Flows of the Companies.

5.3.5. To the value so arrived, appropriate adjustments have been made for loan funds, cash and cash equivalents, amount receivable on exercise of ESOP's, value of investments, value of surplus assets and contingent liabilities after considering the tax impact wherever applicable to arrive at the equity value.

5.3.6. The value as arrived above is divided by the outstanding number of equity shares to arrive at the value per share.

5.4. **MARKET APPROACH**

5.4.1. Under the "Market" approach, the equity shares have been valued using market price method.

5.4.2. 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.

5.4.3. In the present case, the equity shares of BGWL and GBL are listed on stock exchange. Value under this method is determined considering the share prices on the BSE over an appropriate period as prescribed under Issue of Capital and Disclosure Requirements Regulations, 2009 prior to the Relevant Date of June 18, 2018 i.e. the date of board meeting to consider the proposed amalgamation.

5.5. **RECOMMENDATION OF FAIR SHARE EXCHANGE RATIO**

5.5.1. The fair basis of amalgamation of VGWL, FIFPL and GBL into BGWL would have to be determined after taking into consideration all the factors and methodologies mentioned hereinabove. Though different values have been arrived at under each of the above approaches, for the purposes of recommending a ratio of exchange it is necessary to arrive at a single value for the shares of the Companies. It is however



important to note that in doing so, we are not attempting to arrive at the absolute values of the shares of each company. Our exercise is to work out relative value of shares of the Companies to facilitate the determination of a ratio of exchange. For this purpose, it is necessary to give appropriate weightage to the values arrived at under each approach.

- 5.5.2. As mentioned above, we have considered the 'Underlying Asset' Approach for arriving at the value per share of FIFPL, 'Income' Approach for arriving at the value per share of VGWL and an average of 'Income' Approach and 'Market Price' Approach for arriving at the value per share of GBL and BGWL.

Valuation Approach	BGWL		VGWL		FIFPL		GBL	
	Value per Share (INR)	Weights	Value per Share (INR)	Weights	Value per Share (INR)	Weights	Value per Share (INR)	Weights
Asset Approach	NA		NA		429.39	1	NA	
Income Approach	954.44	1	578.92	1	NA		121.69	1
Market Approach	920.21	1	NA		NA		113.12	1
Relative Value Per Share	937.32		578.92		429.39		117.41	
Exchange Ratio (rounded off)			1.62		2.18		8.00	

NA = Not Applied/Applicable

1. The Asset Approach is not considered for BGWL, VGWL and GBL since it does not reflect the intrinsic value of the business
2. FIFPL, being an investment holding company and does not undertake business operations. Hence, Income Approach is not applicable.
3. VGWL and FIFPL, being an unlisted entity Market Price Method is not applicable.

- 5.5.3. The share exchange ratio has been arrived on the basis of a relative valuation of the shares of the Companies based on the approaches explained herein earlier and various qualitative factors relevant to each company and the business dynamics and growth potential of the businesses of the companies, having regard to information base, management representations and perceptions, key underlying assumptions and limitations.

- 5.5.4. In the ultimate analysis, valuation will have to involve the exercise of judicious discretion and judgement 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 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.'

5.5.5. Considering the aforesaid, in our opinion, the fair share exchange ratio for the proposed amalgamation of VGWL, FIFPL and GBL into BGWL would be:

100 (One Hundred) equity shares of BGWL of INR 1 each fully paid up for every 162 (One Hundred and Sixty Two) equity shares of VGWL of INR 10 each fully paid up

100 (One Hundred) equity shares of BGWL of INR 1 each fully paid up for every 218 (Two Hundred and Eighteen) equity shares of FIFPL of INR 10 each fully paid up

1 (One) equity share of BGWL of INR 1 each fully paid up for every 8 (Eight) equity shares of GBL of INR 5 each fully paid up

6. PROPOSED DEMERGER OF DEMERGED UNDERTAKING OF BGWL INTO HTPL

6.1. RECOMMENDED EQUITY SHARE ENTITLEMENT RATIO

6.1.1. As per the Scheme, the Demerged Undertaking of BGWL (post amalgamation of VGWL, FIFPL and GBL) will be transferred to HTPL and in consideration, equity shares of HTPL would be issued to the equity shareholders of BGWL and all the existing shares of HTPL held by BGWL shall be cancelled as an integral part of the Scheme.

6.1.2. The Management of BGWL and HTPL proposes to issue equity shares in the ratio of 1 (One) equity shares of INR 10 each fully paid up of HTPL for every 10 (Ten) equity share of BGWL of INR 1 each fully paid up.

6.2. CONCLUSION

6.2.1. Based on the above, a ratio of 1 (One) equity shares of INR 10 each fully paid up of HTPL for every 10 (Ten) equity share of INR 1 each fully paid up of BGWL in consideration for the demerger of Demerged Undertaking of BGWL would be fair and reasonable, considering that all the shareholders of BGWL (post amalgamation of



VGWL, FIFPL and GBL) are and will, upon demerger, be the ultimate beneficial owners of HTPL in the same ratio (inter se) as they hold shares in BGWL (post amalgamation of VGWL, FIFPL and GBL).

Thank you,
Yours faithfully,

SSPA & Co



SSPA & CO.

Chartered Accountants

Firm registration number: 128851W

Signed by **Parag Ved, Partner**

Membership No. 102432

Place: Mumbai