

December 09, 2020

To,  
The Board of Directors  
Kkalpana Industries (India) Limited  
2B, Pretoria Street, Kolkata  
West Bengal, 700071

Ddev Plastiks Industries Limited  
2B, Pretoria Street, Kolkata  
West Bengal, 700071

**Sub.: Fairness opinion towards the valuation for the proposed Scheme of Arrangement between Kkalpana Industries (India) Limited, Ddev Plastiks Industries Limited and their respective shareholders and creditors**

Dear Sir / Madam,

We, Sundae Capital Advisors Private Limited (referred to as "Sundae" or "We"), refer to the engagement letter dated December 01, 2020 with Kkalpana Industries (India) Limited (the "Demerged Company"), wherein we have been requested to provide an opinion on the captioned subject on the basis of the Share Entitlement Report dated December 09, 2020 issued by Mr. Abhinav Agarwal, Registered Valuer (IBBI Reg. No. IBBI/RV/06/2019/12564) (referred to as "Valuer").

## SCOPE AND PURPOSE OF THIS REPORT

The equity shares of Kkalpana Industries (India) Limited are listed on BSE Limited ("BSE") and Calcutta Stock Exchange Limited ("CSE"). The Management of the Demerged Company is proposing to demerge Compounding Business Undertaking (the "Demerged Undertaking"). The said demerger is proposed to be implemented by undertaking a Scheme of Arrangement between Kkalpana Industries (India) Limited (the "Demerged Company") and Ddev Plastiks Industries Limited (the "Resulting Company") and their respective shareholders and creditors (the "Scheme of Arrangement").

This Fairness Report is being issued in accordance with the SEBI Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017, as amended from time to time, on the valuation of the proposed Scheme of Arrangement. This certificate has been issued for the sole purpose to facilitate the companies to comply with Regulation 37 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and it shall not be valid for any other purpose.

## COMPANY BACKGROUND

**Kkalpana Industries (India) Limited / Demerged Company** is a public limited company incorporated under the provisions of Companies Act, 1956 on September 03, 1985 bearing Corporate Identification Number L19202WB1985PLC039431. The registered office of the Demerged Company is situated at 2B Pretoria Street Kolkata - 700 071. The equity shares of the Demerged Company are listed on BSE & CSE. The capital Structure of the Demerged Company as on December 07, 2020 is as under:





Particulars	Amount (INR)
Authorized Share Capital	
153,000,000 Equity Shares of INR 2 each	306,000,000
<b>Total</b>	<b>306,000,000</b>
Issued, Subscribed and Paid Up Share Capital	
94,072,930 Equity Shares of INR 2 each fully paid up	188,145,860
<b>Total</b>	<b>188,145,860</b>

The Demerged Company has the following business undertakings:

- Compounding Business Undertaking; and
- Reprocessing Business Undertaking

**Ddev Plastiks Industries Limited / Resulting Company** is a public limited company incorporated under the provisions of Companies Act, 2013 on December 07, 2020 bearing Corporate Identification Number U24290WB2020PLC241791. The registered office of the Resulting Company is situated at 2B, Pretoria Street, Kolkata - 700 071. The equity shares of the Resulting Company are currently not listed on any stock exchange. The Resulting Company is a wholly owned subsidiary of the Demerged Company. The capital structure of the Resulting Company as on December 07, 2020 is as under:

Particulars	Amount (INR)
Authorized Share Capital *	
150,000 Equity Shares of INR 10 each	1,500,000
<b>Total</b>	<b>1,500,000</b>
Issued, Subscribed and Paid Up Share Capital *	
10,000 Equity Shares of INR 10 each fully paid up	1,00,000
<b>Total</b>	<b>1,00,000</b>

\* As per the Clause 16.09 to 16.11 of the draft Scheme, as an integral part of the Scheme and upon coming into effect of the Scheme, the face value per equity share of the Resulting Company shall be sub-divided from existing INR 10 (Rupees Ten) per share to INR 1 (Rupees One) per share and the authorized equity share capital of the Resulting Company shall automatically stand altered, including increase of authorized share capital from present INR 1,500,000 (comprising of 150,000 Equity Shares of INR 10 each) to INR 101,500,000 (comprising of 101,500,000 equity shares of INR 1 each).

## SUMMARY OF PROPOSED TRANSACTION

The management of the Demerged Company is proposing to restructure the business of the Demerged Company by way of a Scheme of Arrangement whereby the Compounding Business Undertaking of the Demerged Company will be demerged into the Resulting Company as a going concern with effect from the Appointed Date. The transaction is proposed through a Scheme of Arrangement under Section 230-232 read with Section 66 and other applicable provisions of the Companies Act, 2013.

Pursuant to the Scheme, the Resulting Company will issue its equity shares to the shareholders of the Demerged Company as a consideration to transfer the Compounding Business Undertaking of the Demerged Company engaged in manufacturing of plastic compounds. Further, the investment of the Demerged Company in the Resulting Company shall stand cancelled.





As presented by Management, the transfer and vesting by way of a demerger shall achieve the following benefits for the Demerged Company and the Resulting Company, as also mentioned in the Scheme of Arrangement:

*"The underlying business rationale and objectives are as follows:*

- 1. The Demerged Undertaking and the Remaining Undertaking have their own set of strengths and dynamics in the form of nature of risks, competition, challenges, opportunities and business methods, leading to different growth potentials. Hence, segregation of the two undertakings would enable a focused management to explore the potential business opportunities effectively and efficiently;*
- 2. The demerger would result in achieving efficiency in operational processes by designing and implementing independent strategies specifically designed for the two businesses and in optimizing profitability. This would in turn enhance the shareholders' wealth.*
- 3. Targeting and attracting new investors with specific focus and expertise in the two businesses, thereby providing the necessary funding impetus to the long-term growth strategy of the two businesses;*
- 4. The Compounding Business Undertaking of the Demerged Company is an old and diverse undertaking, that caters to a range of sectors viz., housing wiring, high voltage cables, packaging, white goods, automotive, footwear, to name a few. The Compounding Business Undertaking has proved its significant resistance to market volatility over the years and therefore, on a standalone basis, it has scope for enhanced valuation and entry of strategic domestic / international players by way of technological tie-ups / direct acquisition of stake in the business. Hence, demerger of the Compounding Business Undertaking would help in targeting and attracting new investors with specific focus and expertise in the business, thereby providing the necessary funding impetus to the long-term growth strategy of the businesses.*
- 5. The remaining Undertaking of the Demerged Company, inter alia, comprises of a Reprocessing Business Unit located in Falta, West Bengal, and it holds a license for reprocessing of plastic waste which has restriction on transferability. A similar license is also held in a Dubai based wholly owned subsidiary ['WOS'] of the Demerged Company. Since ultimate ownership of such licenses relating to the Remaining Undertaking rests with the Demerged Company, the Reprocessing Business Undertaking along with its corresponding licenses as aforesaid, would be continued to be retained by the Demerged Company.*
- 6. Further, given the recent international trends and demand for recycling of plastics (recognized as upcycling across the world), the Reprocessing Business Undertaking has significant long-term growth prospects. Moreover, growth potential of the Reprocessing Business Undertaking is substantially high. Hence, demerger of the Compounding Business Undertaking would also enhance the standalone valuation for Reprocessing Business Undertaking. Such higher growth and valuation potentials would be attractive to specific set of strategic domestic / international players who would look to target direct acquisition of stake in the business. The transfer and vesting of the*





*Demerged Undertaking to the Resulting Company will enable better focus and management of the Demerged Undertaking and the Remaining Undertaking.*

7. *The Reprocessing Business Undertaking is a debt free unit and has significantly lower working capital requirement as compared to the Compounding Business Undertaking. Hence, demerger of the Compounding Business Undertaking would help in independently managing the different funding requirements of the two business, both in terms of type of funds and amount of infusion required for the businesses.*
8. *As part of expansion plans for Reprocessing Business Undertaking, the Demerged Company intends to explore chemical recycling and other recycling activities, which are also expected to attract strategic domestic and international investors.*

*Pursuant to the Scheme, the equity shares issued by the Resulting Company would be listed on BSE. Therefore, the existing shareholders of the Demerged Company would hold the shares of two listed entities after the Scheme becoming effective. Such shareholders would then be able to choose whether they want to remain invested in either or both the businesses / operations of the Demerged Company, giving them flexibility in managing their investment in the two businesses having differential dynamics."*

## **SOURCE OF INFORMATION AND REPRESENTATIONS**

For the purpose of forming our opinion on the Share Entitlement Report, we have relied on the discussions with the Management of the Demerged Company and the following information and documents made available to us:

- Valuation Report dated December 09, 2020 by Mr. Abhinav Agarwal, Registered Valuer;
- Memorandum and Articles of Association of the Demerged Company and the Resulting Company;
- Audited Financial Statements of the Demerged Company for the Financial Years ended on March 31, 2020, 2019 and 2018 and limited reviewed financial statements for the six months period ended September 30, 2020;
- Unaudited carved out financials of Demerged Undertaking as on March 31, 2020;
- The audited financial statements of the Resulting Company for the period December 07, 2020 (incorporation date) to December 09, 2020;
- Draft Scheme of Arrangement for the proposed transaction;
- Other information as available in public domain.

We have obtained explanations and information considered reasonably necessary for our exercise, from the executives and representatives of the Demerged Company. Our analysis considers those facts and circumstances present at the Demerged Company and Resulting Company at the date of this Fairness Opinion. Our opinion could be different if another date was used.

## **EXCLUSIONS AND LIMITATIONS**

We have assumed and relied upon, without independent verification, the accuracy and completeness of all information that was publicly available or provided or otherwise made available to us by the Demerged Company for the purpose of this opinion. With respect to the estimated financials, if any,





provided to us by the management, we have assumed that such financials were prepared in good faith and reflect the best currently available estimates and judgments by the management of the Demerged Company. We express no opinion and accordingly accept no responsibility with respect to or for such estimated financials or the assumptions on which they were based. Our work does not constitute an audit or certification or due diligence of the working results, financial statements, financial estimates or estimates of value to be realized for the assets of the Demerged Company or the Resulting company. We have solely relied upon the information provided to us by the management. We have not reviewed any books or records of the Demerged Company or the Resulting company (other than those provided or made available to us). We have not assumed any obligation to conduct, nor have we conducted any physical inspection or title verification of the properties or facilities of the Demerged Company or the Resulting Company and neither express any opinion with respect thereto nor accept any responsibility therefore. We have not made any independent valuation or appraisal of the assets or liabilities of the Demerged Company or the Resulting Company. We have not reviewed any internal management information statements or any non-public reports, and, instead, with your consent we have relied upon information which was publicly available or provided or otherwise made available to us by the Demerged Company or the Resulting Company for the purpose of this opinion. We are not experts in the evaluation of litigation or other actual or threaten claims and hence have not commented on the effect of such litigation or claims on the valuation. We are not legal, tax, regulatory or actuarial advisors. We are financial advisors only and have relied upon, without independent verification, the assessment of the Demerged Company or the Resulting Company with respect to these matters. In addition, we have assumed that the Proposed Scheme of Arrangement will be approved by the regulatory authorities and that the proposed transaction will be consummated substantially in accordance with the terms set forth in the Proposed Scheme of Arrangement.

We understand that the managements of the Demerged Company or Resulting Company during our discussion with them would have drawn our attention to all such information and matters which may have an impact on our analysis and opinion. We have assumed that in the course of obtaining necessary regulatory or other consents or approvals for the Proposed Scheme of Arrangement, no restrictions will be imposed that will have a material adverse effect on the benefits of the transaction that the Demerged Company or the Resulting company may have contemplated. Our opinion is necessarily based on financial, economic, market and other conditions as they currently exist and on the information made available to us as of the date hereof. It should be understood that although subsequent developments may affect this opinion, we do not have any obligation to update, revise or reaffirm this opinion. In arriving at our opinion, we are not authorized to solicit, and did not solicit, interests for any party with respect to the acquisition, business combination or other extra-ordinary transaction involving the Demerged Company or the Resulting company or any of its assets, nor did we negotiate with any other party in this regard.

We have acted as a financial advisor to the Demerged Company or the Resulting company for providing a fairness opinion on the proposed transaction and will receive professional fees for our services. In the ordinary course of business, Sundae is engaged in merchant banking business including corporate advisory, re-structuring, valuations, etc. We may be providing various other unrelated independent professional advisory services to the Demerged Company or the Resulting company in the ordinary course of our business.

It is understood that this letter is solely for the benefit of and use by the Board of Directors of the Demerged Company or the Resulting company for the purpose of this transaction and may not be





relied upon by any other person and may not be used or disclosed for any other purpose without our prior written consent. The opinion is not meant for meeting any other regulatory or disclosure requirements, save and except as specified above, under any Indian or foreign law. Statute, Act, guideline or similar instruction. Management should not make this report available to any party, including any regulatory or compliance authority/agency except as mentioned above. The letter is only intended for the aforementioned specific purpose and if it is used for any other purpose; we will not be liable for any consequences thereof.

We express no opinion whatsoever and make no recommendation at all as to the Demerged Company or the Resulting company underlying decision to effect to the proposed transaction or as to how the holders of equity shares or preference shares or secured or unsecured creditors of the Demerged Company or the Resulting company should vote at their respective meetings held in connection with the transaction. We do not express and should not be deemed to have expressed any views on any other terms of transaction. We also express no opinion and accordingly accept no responsibility for or as to the prices at which the equity shares of the Demerged Company or Resulting Company will trade following the announcement of the transaction or as to the financial performance of the Demerged Company or the Resulting Company following the consummation of the transaction.

In no circumstances however, will Sundae or its associates, directors or employees accept any responsibility or liability to any third party. Our liability (statutory or otherwise) for any economic loss or damage arising out of the rendering this opinion shall be limited to amount of fees received for rendering this Opinion as per our engagement with the Demerged Company.

## OUR OPINION

With reference to above and based on information and explanation provided by the management representative of Demerged Company and after analyzing the Draft Scheme of Arrangement, we understand that since Resulting Company is wholly owned subsidiary of Demerged Company, the set of shareholders and holding proportion being proposed for the Resulting Company is identical to the Demerged Company, the beneficial economic interest of the shareholders of the Demerged Company will remain identical / same in the Resulting Company, at the time of demerger. Hence, this demerger being value neutral to the shareholders of the Demerged Company, the Valuer has recommended the share entitlement ratio as under:

***"1 (one) fully paid up equity shares of INR 1/- each of the Resulting Company, for every 1 (one) fully paid up equity shares of INR 2/- each in the Demerged Company."***

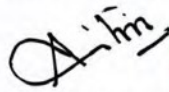
***Based on the information, data made available to us, including the Share Entitlement Report of Mr. Abhinav Agarwal, Registered Valuer, to the best of our knowledge and belief, the entitlement ratio arrived at by Mr. Abhinav Agarwal, Registered Valuer under the Draft Scheme of Arrangement, in our opinion, is fair considering that all the shareholders of the Demerged Company are and will upon demerger, be the ultimate beneficial owners of the Resulting Company and in the same ratio (inter se) as they hold shares in the Demerged Company, as on record date to be decided by the Management of the Demerged Company.***

The aforesaid Scheme of Arrangement shall be subject to the receipt of approvals from NCLT and other statutory authorities as may be required. The detailed terms and conditions are more fully set forth



in the Draft Scheme of Arrangement. Sundae has issued this Fairness Opinion with the understanding the Draft Scheme of Arrangement shall not be materially altered and the parties hereto agree that the Fairness Opinion shall not stand good in case the final Scheme of Arrangement alters the transaction.

*For Sundae Capital Advisors Private Limited  
(SEBI Regn. No. INM000012494)*



**NitiN Somani**  
Director

