

# V.B. Desai Financial Services Limited

Category I Merchant Banker - SEBI Registration No. INM 00002731

December 21, 2017

The Board of Directors

**STYLAM INDUSTRIES LTD.**

S.C.O. 14, Sector 7- C, Madhya Marg,  
Chandigarh (UT) INDIA - 160 019.

Dear Sir,

**Sub:** Fairness Opinion on Valuation Report dated 20/12/2017 issued by Gandhi & Associates LLP, Chartered Accountants, Mumbai recommending the Exchange Ratio in the matter of Proposed Amalgamation of **Golden Chem-Tech Limited**, ("GCL" or "the Transferor Company" with **Stylam Industries Limited**, ("SIL" or "the Transferee Company") pursuant to Scheme of Amalgamation, both companies belonging to the same promoter group

We refer to the engagement letter dated November 6, 2017 with V.B. Desai Financial Services Limited (herein after referred to as "VBDFSL"), wherein SIL has requested us to provide fairness opinion on the Proposed Scheme of Amalgamation of **GCL into SIL** as required under SEBI CIRCULAR NO CIR/CFD/CMD/16/2015 dated November 30, 2015.

## • BACKGROUND OF THE COMPANIES

### ○ Stylam Industries Limited

SIL was incorporated in India in the year 1991 as a Private Limited Company with the name of Golden Laminates Limited and Listed in BSE in 1995. Subsequently, it changed its name to Stylam Industries Limited in 2010. Its registered office is located at SCO 14, Sector 7-C, Madhya Marg, Chandigarh - 160019, India.

SIL manufactures and sells laminates for residential and industrial applications in India. The company offers high pressure, decorative, post forming, and antistatic laminates, as well as door skins, adhesives, and exterior cladding panels and floor boards under the STYLAM brand name. It exports its products to approximately 60 countries worldwide. The equity shares of the company are listed on BSE Limited.

### ○ Golden Chem-Tech Limited

GCL was incorporated in 1995 as Golden Mechtronics Private Limited. Subsequently, the name of the company was later on changed as Golden Chem-tech and it was also converted into Public Limited Company vide a fresh Certificate of Incorporation was issued by Registrar of Companies, Punjab, H.P. & Chandigarh in 2000. Its registered office is located at SCO 14, Sector 7-C, Madhya Marg, Chandigarh - 160019, India.



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GCL is primarily engaged in the business of manufacturing of Adhesives and Solid Surface Acrylic Panels (also known as artificial marble). Though all the main machineries for the Acrylic business are installed, the production is expected to begin from the last quarter of FY2017-18. As the adhesives is very competitive and less margin product, the company has closed down its Adhesives operations from the mid of this year and will focus on manufacturing of Solid Acrylic Panels.

- **RATIONALE OF SCHEME OF PROPOSED AMALGAMATION**

We have been informed that the rationale for Proposed Amalgamation is as under:

GCL has recently diversified into the manufacture of Solid Acrylic Surface Panels, and is a well-recognized part of the Building Material Industry. The products it manufactures are complementary to the products and other building material i.e., Laminates which are manufactured by SIL. Benefit of the operational synergies to the combined entity in various operational areas can be put to the best advantage of all the stakeholders. Also cost savings are expected to flow from more focused operational efforts, rationalization and standardization and simplification of the business processes, productivity and improvements, improved procurement, elimination of duplication and rationalization of administrative expenses.

- **SCOPE AND PURPOSE OF THIS REPORT**

We have been informed that the Board of Directors of SIL is proposing a Scheme of Amalgamation between SIL and GCL, under section 230 to 232 read with section 52 of the companies' act, 2013 and other applicable provisions of the companies' act, 2013 and rules framed thereunder.

Upon the coming into effect of this Scheme and with effect from the Appointed Date, the Transferor Company together with all the respective properties, assets, investments, liabilities, rights, benefits, interests, title or power of every kind, nature, description and obligations therein shall, pursuant to the provisions of Section 230 to 232 of the Act and in accordance with Section 2(1B) of the Income-tax Act, 1961, without any further act, deed, matter or thing, be and stand merged and transferred to and vested in and shall be deemed to be transferred to and vested in the Transferee Company on a going concern basis and shall become the property of and an integral part of the Transferee Company.

Upon the coming into effect of this Scheme and in consideration for the transfer of and vesting of the assets and liabilities of the Transferor Company into the Transferee Company pursuant to merger, the Transferee Company shall issue and allot at fair values, credited as fully paid up, to the members of the Transferor Company or to such of their respective heirs, executors, administrators or other legal representatives or other successors in title as may be recognized by the Board of Directors of the Transferor Company and approved by them whose names appear in the Register of Members on the Record Date as under:

In this connection, to comply with the regulatory requirements of Proposed Amalgamation the management of SIL has appointed VBDFSL to provide fairness opinion on the Valuation Report dated 20/12/2017 issued by Gandhi & Associates LLP, Chartered Accountant, Mumbai recommending the Exchange Ratio in the



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matter of on the Proposed Scheme of Amalgamation from financial point of view and not on fairness or economic rationale of the Proposed Amalgamation per se.

This report is subject to the scope, limitations and disclaimers detailed herein after. As such the report is to be read in totality, not in parts and in conjunction with relevant documents referred to herein. This report is issued only for the purpose for facilitating the Proposed Amalgamation of GCL with SIL. THIS FAIRNESS OPINION IS RESTRICTED TO MEET THE REQUIREMENTS THE SEBI CIRCULAR NO CIR/CFD/CMD/16/2015 DATED NOVEMBER 30, 2015 ONLY AND MAY NOT BE USED FOR ANY OTHER PURPOSE WHATSOEVER OR TO MEET THE REQUIREMENTS OF OTHER LAWS, RULES, REGULATIONS AND STATUES.

## • SOURCES OF INFORMATION

We have relied on the following information in issuing this fairness opinion for the purpose of Proposed Amalgamation.

- Draft Scheme of Amalgamation of GCL with SIL duly certified by management of GCL.
- Audited financial statement of the GCL and SIL for the year ended March 31, 2017.
- Valuation Report dated 20/12/2017 issued by Gandhi & Associates LLP, Chartered Accountants, Mumbai recommending the Exchange Ratio.
- Such other information, documents, data, reports, discussions and verbal & written explanations from SIL as well as advisors for merger/amalgamation to SIL, public domain websites, as were considered relevant for the purpose of the Fairness Opinion.

## • DISCLAIMER, EXCLUSIONS AND LIMITATIONS OF SCOPE

- Our opinion and analysis is limited to the extent of review of documents as provided to us by SIL and Proposed Scheme of Amalgamation of GCL and SIL.
- We have relied upon the accuracy and completeness of all information provided to us without carrying out due diligence and independent verification or validation of such information to establish its accuracy and sufficiency. We have not conducted any independent Valuation or appraisal of any assets and liabilities of GCL and SIL. No responsibility is assumed for information furnished by the Company and such information is believed to be reliable.
- We have been informed that all information relevant for the purpose of issuing Fairness Opinion has been disclosed to us and we are not aware of any material information that has been omitted or remains undisclosed.
- We have relied exclusively on Valuation Report prepared and issued by Gandhi & Associates LLP, Chartered Accountants without independent verification. We have not independently checked or verified the assumptions made in the valuation report.



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- Our fairness opinion assumes that the title to assets and liabilities of the both companies as reflected in their respective balance sheets is intact.
- We have not conducted visit to locations of production and/or point of sales of the Company. The robustness of the analysis is highly dependent on reasonableness, commercial viability and achievability of assumptions underlying the forecast. We are not required to and have not validated the reasonableness and commercial viability underlying the forecasts and assumptions
- The realization of the projections is dependent on the continuing validity of assumptions. Our review cannot be directed to providing any assurance about the achievability of the final projections. Since projections relate to future, the actual results are likely to be different from projected results and differences may be material and it may have material impact on our conclusion. For the purpose of this report, we have assumed that the projections as envisaged by the both companies and reflected in valuation report will materialize as projected.
- We have not conducted any evaluation of solvency or fair value of the Company under any laws relating to bankruptcy, insolvency or similar matters.
- We do not express any opinion as to the price at which shares of SIL may trade at any time including subsequent to the date of this opinion or post amalgamation.
- We do not express any opinion as to tax or other consequences that may arise from the Proposed Scheme of Amalgamation between GCL and SIL and their respective shareholders, nor does our opinion address any legal, tax regulatory or accounting matters as to which we understand that the respective companies have obtained necessary professional advice.
- Complying with the regulatory requirements for the Proposed Scheme of Amalgamation including and not limited to SEBI Rules and Regulations, Stock Exchange Regulations, Companies Act 1956, Companies Act 2013 and other applicable laws and regulations is the exclusive responsibility of the Board of Directors of GCL.
- This report is prepared primarily to comply with regulatory requirements of the Proposed Scheme of Amalgamation. The report does not look into business / commercial reasons behind the Proposed Scheme of Amalgamation nor the likely benefits arising out of the same which is the exclusive responsibility of Board of Directors of the respective companies. Similarly our report does not address relative merits of the Proposed Amalgamation as compared with any other alternative business transactions or other alternatives.
- This fairness opinion at best is only an 'opinion'. This report does not express any views nor makes recommendation as to how the shareholders of companies should vote at any shareholders' meeting to be held in connection with the Proposed Scheme of Amalgamation. It is the prerogative of shareholders to either accept or reject our fairness opinion. The shareholders of companies may



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do so at their risk and responsibility after undertaking necessary due diligence and evaluation. The responsibility for any decision would remain with the decision maker i.e. shareholders.

- Prior to issuance of this Fairness Opinion, the contents and factual accuracies of this Report was reviewed and approved by the management of the Company.
- We assume no responsibility in updating or revising our opinion based on the circumstances or events accruing after the date hereof.
- This fairness opinion shall have no value if for any reasons the proposed scheme of amalgamation is terminated or called off.
- The fee for the engagement is not contingent upon the results reported.
- We owe responsibility only to the Board of Directors of SIL as per the terms of our engagement letter and nobody else. We do not accept any liability to any shareholder, employees, tax authorities or other third parties in relation to the issue of this report. Our liability if any, under any and all circumstances shall be limited to fees received by us for undertaking this assignment.

## • VALUATION REPORT

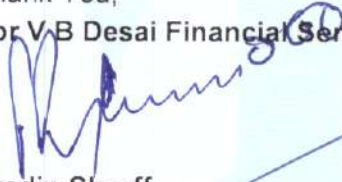
We have reviewed the Valuation Report dated 20/12/2017 issued by Gandhi & Associates LLP, Chartered Accountants, recommending the swap ratio for the proposed amalgamation between GCL and SIL.

After valuing both companies individually, Gandhi & Associates LLP, Chartered Accountants, have arrived at swap ratio of 100:371 i.e. 100 equity shares of Stylam of Rs. 10 each fully paid up for every 371 equity shares of GCL of Rs. 10 each fully paid up.

## • OPINION

Based on the facts and circumstances of the case and according to information and explanation provided to us together with exclusions & limitations mentioned herein above, we state that in our opinion and to the best of our information and knowledge, Exchange Ratio as recommended by Gandhi & Associates LLP, Chartered Accountants, for the Proposed Scheme of Amalgamation seems fair and reasonable purely from financial point of view.

Thank You,  
For V.B Desai Financial Services Limited

  
Pradip Shroff  
Managing Director

