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CIN No. U67120MH2007PTC166711

Date: 23rd April 2018

To,
The Board of Directors
Strides Shasun Limited
Strides House, Bilekahalli,
Bannerghatta Road,
Bangalore – 560076
Karnataka
India

Valuation of the equity/ equity shares of Strides Chemicals Private Limited as on 31st December 2017 on going concern basis for the purpose of transfer of equity shares.

On the request of the management of Strides Shasun Limited (hereinafter referred to as "the Client Company"), we have undertaken the valuation assignment of the equity/ equity shares of Strides Chemicals Private Limited (hereinafter referred to as "the Subject Company") as on as on 31st December 2017 on going concern basis for the purpose specified in paragraph 1 below.

1. Valuation assignment

1.1 We were requested by the management of the Client Company to determine the fair value of the equity/ equity shares of the Subject Company as on 31st December 2017 on going concern basis for the purpose of transfer of equity shares of the Subject Company by the Client Company.

1.2 We have carried out the valuation of the equity/ equity shares of the Subject Company for the above purpose.

1.3 The information contained herein is intended only for the sole use and information of the Client Company and only in connection with the above purpose. Any person/ party intending to provide finance/ invest in the business/ shares of the Client Company and/ or the Subject Company or otherwise deal with the Client Company and/ or the Subject Company shall do so after carrying out its own due diligence procedures and after seeking its own professional advice to ensure that it is making an informed decision. It is hereby notified that any reproduction, copying or otherwise quoting of this report or any part thereof can be done only with our prior permission in writing.

2. Sources of information

We have relied upon the following information/ details/ representations/ explanations relating to the Subject Company, provided to us by the management of the Client Company for carrying out this valuation assignment:

- Audited financial statements of the Subject Company for FY16 and FY17.
- Client Company management approved interim income statement of the Subject Company for the period of 9 months from 1st April 2017 to 31st December 2017.
- Client Company management approved forecasted financial statements (comprising periodic income statements and periodic cash flow statements) of the Subject Company for the period of 5 years and 3 months from 1st January 2018 to 31st March 2023.
- Discussions with the management of the Client Company on various issues relating to the operations of the Subject Company, including but not limited to the industry, business plan, CAPEX plan, working capital management, capital structure, weighted average cost of capital, expected long-term sustainable growth rate, reinvestments (net CAPEX and working capital) and other relevant issues.

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- The details of contingent liabilities, pending cases and other related developments, abnormal/ non-recurring/ extraordinary/ non-operating items of income, expenditure, assets and liabilities and such other information and explanations relating to the Subject Company, as provided by the management of the Client Company.

3. Limitations

3.1 Our report is subject to the limitations in our scope detailed hereinafter. As such it should be read in totality, and not in parts, and in conjunction with the relevant documents referred to herein.

3.2 The valuation is specific to the purpose and date of valuation mentioned in this report. It may not be valid for any other purpose and/ or on any other date.

3.3 Our work does not constitute any audit or certification of the financial statements, including any provisional, interim and forecasted financial statements of the Subject Company. Accordingly, we do not express any opinion on the fairness, reasonableness, accuracy or achievability of any financial information referred to in this report.

3.4 Our work is neither, nor it should be construed as, our opinion on/ or certification of compliance by the Subject Company and/ or the Client Company with the provisions of any law including companies, foreign exchange, taxation and capital market related laws or as regards any legal implications or issues arising thereon.

3.5 Our work does not constitute any confirmation of the Subject Company's claim to the title of any asset (tangible and/ or intangible) and any liens & encumbrances thereon.

3.6 This report is issued on the clear and specific understanding that the management of the Client Company has drawn our attention to all material information concerning the operations and financial position of the Subject Company and any other matter, which may, in our opinion, have any impact on our opinion on the fair value of the equity/ equity shares of the Subject Company, including any significant changes that have taken place or are likely to take place in the operations and/ or the financial position of the Subject Company. We do not take any responsibility for any financial statements and/ or the methods used for forecasting the financial statements of the Subject Company and have entirely relied on the representations of the management of the Client Company in this regard.

3.7 We assume no responsibility to update this report for events and circumstances occurring after the date of this report.

3.8 In the course of this valuation assignment, the management of the Client Company provided us written and verbal information/ explanations/ representations on several relevant matters, including market, financial and operating data relating to the Subject Company. We have evaluated such information/ explanations/ representations through broad inquiry, analysis and review but have not carried out any audit, due diligence, investigation or verification.

3.9 A valuation of this nature involves application of globally accepted valuation method, exercise of professional judgment and consideration of various factors including those related to, and arising from, the prevailing capital market trends in general and industry trends in particular and is based on subjective individual interpretation.

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4. Valuation methodology

4.1 We have considered Discounted Cash Flow (DCF) valuation method – Free Cash Flow to Firm (FCFF) valuation approach for the valuation of the equity/ equity shares of the Subject Company.

4.2 The DCF valuation method involves determination of the fair value of an asset/ liability/ business/ enterprise based on its expected cash flows and appropriate discounting rate. The FCFF valuation approach involves discounting the expected free cash flows to firm at appropriate weighted average cost of capital. The free cash flows to firm are derived by adjusting the net operating profit after taxes for depreciation & amortization, CAPEX and working capital investments. The value so arrived is adjusted for the value of net debt/ net cash & cash equivalents, investments (excluded in forecasting free cash flows to firm) and all other non-operating assets and liabilities.

4.3 The DCF valuation method – FCFF valuation approach takes into consideration and encompasses:
- 4.3.1 the probable future business environment affecting the economy, industry and the entity.
- 4.3.2 detailed forecasts of revenues, costs, taxes on income, CAPEX, working capital investments and capital structure for the forecasted period.
- 4.3.3 weighted average cost of capital.
- 4.3.4 long-term sustainable growth rate.
- 4.3.5 reinvestments (net CAPEX and working capital).
- 4.3.6 the value of all operating & non-operating assets (tangible and/ or intangible) and liabilities.

5. Fair value

5.1 The fair value of the equity/ equity shares of the Subject Company is derived as per DCF valuation method – FCFF valuation approach.

5.2 On the basis of the above, and on the basis of information and explanations provided to us and assumptions made (refer Annexure II: Inputs and assumptions used in the valuation assignment), in our opinion, the fair value of the equity/ equity shares of the Subject Company, as per DCF valuation method – FCFF valuation approach, as on 31st December 2017 on going concern basis is INR 1,309.32 million/ INR 16.43 per equity share (Face Value: INR 10.00 per equity share; refer Annexure I: Valuation of equity/ equity shares on going concern basis).

For Saffron Capital Advisors Private Limited

K.L.Kalantri
23/04/18

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Kunal L. Kalantri
Saffron Capital Advisors Private Limited
Category I Merchant bankers
Registration no.: INM000011211

Annexure I: Valuation of equity/ equity shares on going concern basis

Strides Chemicals Private Limited
Valuation of equity/ equity shares as on 31st December 2017 on going concern basis
DCF valuation method - FCFF valuation approach

(INR million except equity share data)

Particulars	Q4FY18 (F)	FY19 (F)	FY20 (F)	FY21 (F)	FY22 (F)	FY23 (F)	Perpetuity period (F)
Net operating profit after tax	(58.15)	(170.98)	47.46	162.51	235.45	299.80	
Add: Depreciation & amortisation	29.27	71.30	76.17	85.21	90.57	92.27	
Less: CAPEX	3.00	180.00	181.50	33.08	34.73	36.47	
Less: Working capital investments	(186.52)	116.60	159.79	100.11	79.46	96.41	
FCFF	**154.63**	**(396.28)**	**(217.66)**	**114.53**	**211.84**	**259.19**	**2,843.12**
Discounted FCFF	**149.11**	**(329.74)**	**(156.28)**	**70.96**	**113.25**	**119.56**	**1,311.51**
Enterprise value							**1,278.38**
Add: Net cash & cash equivalents (book value)							28.43
Add: One-time receivable (non-operating; net)							2.51
Fair value of equity							**1,309.32**
No. of equity shares							7,97,00,435
Fair value per equity share							**16.43**

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Annexure II: Inputs and assumptions used in the valuation assignment

1. Client Company management approved interim income statement of the Subject Company for the period of 9 months from 1st April 2017 to 31st December 2017, Client Company management approved forecasted financial statements (comprising periodic income statements and periodic cash flow statements) of the Subject Company for the period of 5 years and 3 months from 1st January 2018 to 31st March 2023 and representations (written and verbal) relating to the Subject Company, provided to us by the management of the Client Company during the course of the valuation assignment have been relied upon as the basis for our workings.
2. The Subject Company's periodic free cash flows to firm for the forecasted period and the perpetuity period have been arrived at after considering the expected periodic tax liability.
3. The Subject Company's periodic free cash flows to firm are discounted at its periodic weighted average cost of capital. The cost of equity is derived by applying Capital Asset Pricing Model, considering appropriate beta factor (derived by adjusting unlevered cash adjusted beta of publicly traded global pharmaceutical [drugs] companies – 1.07x for the forecasted periodic capital structure over the forecasted period and the perpetuity period), India risk free rate of 7.33% and India equity risk premium of 8.00%. The cost of debt is derived on the basis of expected periodic borrowing cost (adjusted for effective tax rate on the respective periodic operating profit) over the forecasted period and the perpetuity period. The weights assigned to equity and debt varies based on forecasted periodic capital structure over the forecasted period and the perpetuity period (based on book values of adjusted equity and debt respectively).
4. We have considered the Subject Company's long-term sustainable growth rate at 5.00% for the perpetuity period.
5. The Subject Company has net cash & cash equivalents, which are added at book value to its enterprise value.
6. The Subject Company has a one-time receivable (non-operating; net), which is added to its enterprise value.

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