

**January 15, 2019**

**To,**  
**The Board of Directors**  
**Swiss Glascoat Equipments Limited**  
H-106, Phase IV,  
G.I.D.C. Estate,  
Vitthal Udyognagar,  
Anand – 388121,  
Gujarat, India.

**To,**  
**The Board of Directors**  
**HLE Engineers Private Limited**  
Survey No. 60/1, Ground Floor,  
Plot Number 1 & 2,  
Nr. Shukan Bunglows,  
Opp. Maheshvari Bhavan,  
City Light, Surat – 395001,  
Gujarat, India.

**Sub: Fairness Opinion on the recommendation of the Share Entitlement Ratio issued by M/s. R. U. Kamath & Co. Chartered Accountants for the proposed demerger of the Demerged Undertaking of HLE Engineers Private Limited with Swiss Glascoat Equipments Limited in terms of SEBI Circular CFD/DIL3/CIR/2017/21 under regulations 11, 37 and 94 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 amended from time to time.**

Swiss Glascoat Equipments Limited (hereinafter referred to as 'the Resulting Company', 'SGEL'), has appointed Vivro Financial Services Private Limited, Category I Merchant Banker registered with SEBI having its Registration No. INM000010122 (hereinafter referred to as 'Vivro', 'we', 'us', 'our'), vide an Engagement Letter dated December 14, 2018 to issue a Fairness Opinion Report on the valuation carried out by M/s. R. U. Kamath & Co., Chartered Accountants, ("Valuer"), vide its Valuation Report dated January 15, 2019.

The Valuation has been carried out in respect of the Proposed demerger of the operating business of HLE Engineers Private Limited (hereinafter referred to as 'HLE' or "Demerged Company") on a going concern basis (hereinafter referred to as "Demerged Undertaking") into Swiss Glascoat Equipments Limited (hereinafter SGEL and HLE are collectively referred to as 'the Companies') and the subsequent amalgamation of Yashashvi Agrochemical Private Limited (hereinafter referred to as 'YAPL' or "Transferor Company") with HLE.

This Fairness Opinion Report is issued in terms of CFD/DIL3/CIR/2017/21 under regulations 11, 37 and 94 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.



## **1. SCOPE AND PURPOSE OF THIS REPORT**

- 1.1 Swiss Glascoat Equipments Limited is a Company engaged in the business of designing, manufacturing, development, dealing, selling and marketing of standard as well as customized glass lined equipment, reactors, receivers, storage tanks, dryers, filters, heat exchangers, condensers, columns, agitators, valves, pipes and fittings and spares thereof.
- 1.2 HLE Engineers Private Limited is a Company engaged in the business of manufacturing, marketing and selling of filtration, drying and process equipment for the pharmaceutical, chemical, agrochemical and other industries. HLE is one of the leading manufacturers and installers of Agitated Nutsche Filters (ANF), Agitated Nutsche Filter Dryers (ANFD), Rotary Vacuum Paddle Dryers (RVPD) and Filter-Dryers. It is also engaged in the manufacture and marketing of specialty and industrial chemicals and intermediates and generation of wind power.
- 1.3 YAPL is a wholly owned subsidiary of HLE.
- 1.4 The managements of SGEL and HLE (together referred to as the 'Management') propose to demerge the operating business of HLE Engineers Private Limited on a going concern basis into SGEL and subsequently amalgamate YAPL with HLE ('the Transaction'), pursuant to a Composite Scheme of Arrangement under sections 230 to 232 of the Companies Act, 2013 ('the Scheme'). Pursuant to the Scheme, the shareholders of HLE shall receive equity shares and 9.50% non-convertible cumulative redeemable preference shares of SGEL as consideration. Since YAPL is a wholly owned subsidiary of HLE, upon the Scheme becoming effective, the equity shares of YAPL held by HLE shall stand cancelled in their entirety and no new shares of HLE will be issued.
- 1.5 We understand that the appointed date of the Scheme is 1<sup>st</sup> April, 2018.
- 1.6 For the aforesaid purpose, the Companies have appointed M/s. R. U. Kamath & Co., Chartered Accountants to submit a Report recommending a Share Entitlement Ratio to be placed before the Board of Directors of the Companies.
- 1.7 The scope of our services is to issue a fairness opinion on the report issued by M/s. R. U. Kamath & Co., Chartered Accountants recommending a Share Entitlement Ratio for the Transaction, in accordance with generally acceptable professional standards.
- 1.8 This report is our deliverable on this engagement. This report may be used for the purpose of complying with the requirements of the regulations 11, 37 and 94 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, and SEBI Circular



CFD/DIL3/CIR/2017/21 and for submission to such other regulatory and statutory authorities in connection with the Scheme.

- 1.9 Our scope of work only includes forming an opinion on the fairness of the recommendation of the Valuer on the share exchange ratio arrived at for the purpose of the proposed Composite Scheme of Arrangement and not on the fairness or economic rationale of the Scheme per se.
- 1.10 Our report is prepared solely for the purpose outlined hereinabove. The distribution of this report shall hence be restricted to the Companies, its Shareholders, SEBI, Stock Exchange and such other regulatory bodies required to give effect to demerger, including but not limited to Registrar of Companies and National Company Law Tribunal. This report shall not be relied upon by any other person for any other purpose whatsoever and the Companies agree to this fact.
- 1.11 This report is subject to the scope, assumptions, exclusions, limitations and disclaimers 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.

## **2. SOURCES OF INFORMATION**

We have relied on the following information made available to us by the management of the Companies for the purpose of this report:

- 2.1 Brief History, Present Activities, Business Profile, Shareholding Pattern of the Companies;
- 2.2 Management certified Composite Scheme of Arrangement proposed between SGEL and HLE and YAPL and their respective shareholders & creditors, under Sections 230 to 232 and other applicable provisions of the Companies Act 2013 as may be submitted with Stock Exchange;
- 2.3 Valuation Report of M/s. R. U. Kamath & Co., Chartered Accountants, dated January 15, 2019;
- 2.4 Audited financial statements of SGEL for the year ended March 31, 2018;
- 2.5 Audited financial statements of HLE for the year ended March 31, 2018;
- 2.6 Audited financial statements of YAPL, a wholly-owned subsidiary of HLE, for the year ended March 31, 2018;
- 2.7 Audited financial statements of HL Equipment (Firm) for the year ended March 31, 2018;



- 2.8 Management certified position of assets and liabilities of Demerged Undertaking of HLE as on March 31, 2018, prepared in compliance with section 2(19AA) of the Income Tax Act, 1961;
- 2.9 Projections of the future profitability, Cash Flow and Balance Sheet on consolidated basis of HLE and SGEL as certified by management of the Companies from Financial Year 2018-19 to 2024-25;
- 2.10 Details of Market Price and trading volume of Equity Shares of SGEL on BSE;
- 2.11 Written Representations received from the management of the Companies dated January 15, 2019;
- 2.12 Such other information and explanations as required and which have been provided by the management of the Companies, which were considered relevant for the purpose the Fairness Opinion.

The Companies have been provided with the opportunity to review the draft fairness opinion report (excluding our opinion on the Share Exchange Ratio) as part of our standard practice to make sure that factual inaccuracies/ omissions are avoided.

### **3. LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS AND DISCLAIMERS**

- 3.1 This Fairness Opinion Report ('Report') is prepared by Vivro Financial Services Private Limited on the basis of information, documents, papers and explanations given by the Management, officers and staff of the Companies.
- 3.2 In preparing the Report, Vivro has relied upon and assumed without independent verification, the truthfulness, accuracy and completeness of the information and the financial data provided by the Companies. Vivro has therefore relied upon all specific information as received and declines any responsibility should the results presented be affected by the lack of completeness or truthfulness of such information.
- 3.3 Our work does not constitute an audit or certification or due diligence of the past financials of the Companies and we have relied upon the information provided to us by the Companies as regards such working results.



- 3.4 As informed by the management of the Companies, there are no contingent liabilities other than those disclosed in the financial statements for the year ended March 31, 2018, which are expected to devolve or contingent assets with the Companies and there are no surplus/non-operating assets in the Companies as of the date of this Report beyond those captured in this Report.
- 3.5 We have not conducted any independent valuation or appraisal of any of the assets or liabilities of the companies. As implied by the financial statements, the Company is assumed to have those legal rights to the assets and be subject to those claims represented by the liabilities presented in its financial statements. No investigation was undertaken to confirm these legal rights or claims.
- 3.6 Publicly available information deemed relevant for the purpose of the analysis contained in this Report has also been used. Accordingly, this report is based on our interpretation of the information provided by the Companies as well as its representatives and advisors, to date.
- 3.7 Vivro shall not be liable for any losses whether financial or otherwise or expenses arising directly or indirectly out of the use of or reliance on the information set out herein in this report.
- 3.8 This report should not be construed as any accounting, tax or legal advice to the Companies or any of its affiliates by Vivro
- 3.9 This Report does not constitute a, solvency opinion, or an investment recommendation and should not be construed as such either for making or divesting investment.
- 3.10 This Report is furnished strictly on confidential basis. Neither this Report nor the information contained herein may be reproduced or passed to any person or used for any purpose other than stated above.
- 3.11 The fee for this engagement is not contingent upon the results reported and fairness opinion provided by Vivro.
- 3.12 This Report, its contents and the results herein (i) are specific to the purpose of report agreed as per the terms of our engagement; (ii) are specific to the date of this report and (iii) are the prevailing financial, economic and other conditions in general and industry trends in particular as in effect on, and the written and oral information made available to us till the date of this report. Events occurring after this date may affect this report and we do not assume any obligation to update, revise or reaffirm this report.





#### 4. BACKGROUND OF THE COMPANIES

##### 4.1 SWISS GLASCOAT EQUIPMENTS LIMITED

4.1.1 Swiss Glascoat Equipments Limited is a listed public company incorporated under the provisions of the Companies Act, 1956 on August 26, 1991 bearing Corporate Identification No. L26100GJ1991PLC016173 in the name of Shri Glasteel Equipments Limited.

4.1.2 The name of the Company was changed from Shri Glasteel Equipments Limited to Swiss Glascoat Equipments Limited on March 3, 1992. The Registered Office of SGEL is located at H-106, G.I.D.C. Estate, Vitthal, Udyognagar 388121.

4.1.3 The equity shares of SGEL are listed on the Bombay Stock Exchange ("BSE") and its market capitalization is Rs. 123.50 Crores (As on January 15, 2019).

4.1.4 SGEL is engaged in the business of designing, manufacturing, development, dealing, selling and marketing of standard as well as customized glass lined equipment, reactors, receivers, storage tanks, dryers, filters, heat exchangers, condensers, columns, agitators, valves, pipes and fittings and spares thereof.

4.1.5 The shareholding pattern of SGEL as on September 30, 2018 is as under:

Particulars	No of shares	Shareholding (%)
Promoters	32,66,243	50.25%
Public	32,33,757	49.75%
<b>Total</b>	<b>65,00,000</b>	<b>100.00%</b>

##### 4.2 HLE ENGINEERS PRIVATE LIMITED

4.2.1 HLE Engineers Private Limited was incorporated on April 25, 1980 under the provisions of the Companies Act, 1956 having its Corporate Identification No. U29100GJ1980PTC003739. The registered office of the company is situated at Survey No.60/1 Ground Floor, Plot-1&2, Nr. Shukan Bungalow, Opp. Maheshvari Bhavan, City Light Area, Surat 395001.

4.2.2 HLE is engaged in the business of manufacture, marketing and sale of filtration, drying and process equipment for the pharmaceutical, chemical, agrochemical and other industries. HLE is one of the leading manufacturers and installers of Agitated Nutsche Filters (ANF), Agitated Nutsche Filter Dryers (ANFD), Rotary Vacuum Paddle Dryers (RVPD) and Filter-Dryers. It is also engaged in the manufacture and marketing of specialty and industrial chemicals, agrochemicals and intermediates and generation of wind power.



4.2.3 The shareholding pattern of HLE as on the date of this Report is as under:

Particulars	No of shares	Shareholding (%)
Promoters	30,93,999	99.00%
Others	31,253	1.00%
<b>Total</b>	<b>31,25,252</b>	<b>100.00%</b>

## 5. VALUER'S RECOMMENDATION

- 5.1 The fair basis of Composite Scheme of Arrangement has been determined after taking into consideration all the factors and methodologies as mentioned by the Valuer in its valuation report, dated January 15, 2019. Their scope of work was, inter alia, to carry out the fair valuation of equity shares of Swiss Glascoat Equipments Limited and valuation of the Demerged Undertaking of HLE Engineers Private Limited to determine the Share Entitlement Ratio for the proposed Scheme of Arrangement.
- 5.2 The share exchange ratio has been arrived at on the basis of relative valuation of the equity shares of the Companies based on methodology as explained in the valuation report of Valuer, dated January 15, 2019 and various qualitative factors relevant to each Company and the business dynamics as well as growth potential of the businesses of the companies, and also having regard to information base, management representations and perceptions, key underlying assumptions and limitations.
- 5.3 In the light of the above and on a consideration of all the relevant factors and circumstances as discussed and outlined in the valuation report, dated January 15, 2019 issued by M/s R. U. Kamath & Co., Chartered Accountants, it has been recommended by the Valuer that the fair exchange ratio for the proposes demerger of the demerged undertaking of HLE into SGEL and amalgamation of YAPL with HLE shall be as follows:

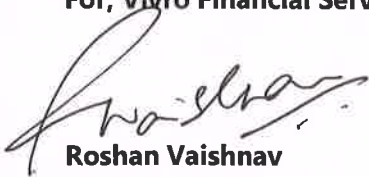
***"309 (Three Hundred and Nine) Equity Shares of Rs.10/- each fully paid up of Swiss Glascoat Equipments Limited and 60 (Sixty) 9.5% Cumulative Redeemable Preference Shares of Rs.10/- each fully paid up of Swiss Glascoat Equipments Limited for every 100 (One Hundred) equity shares of Rs.10/- each fully paid up of HLE Engineers Private Limited."***



## 6. CONCLUSION

Pursuant to and subject to the foregoing, we believe that the proposed Share Exchange Ratio as recommended by M/s R. U. Kamath & Co., Chartered Accountants, for the proposed Composite Scheme of Arrangement is fair.

**For, Vivro Financial Services Private Limited**



**Roshan Vaishnav**  
**Director**



**Date: January 15, 2019**

**Place: Ahmedabad**