

# Walker Chandiook & Co LLP

**Strictly Private and Confidential**

To  
**The Board of Directors**  
**Gujarat Fluorochemicals Limited**  
Survey No 16/3, 26 27 Ranjitnagar  
Ghoghamba Taluka, Panchmahal  
Gujarat – 389 380

**Walker Chandiook & Co LLP**  
16th Floor, Tower II,  
Indiabulls Finance Centre,  
SB Marg, Elphinstone (W)  
Mumbai - 400 013  
Maharashtra, India

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Date: 28 November 2018

Dear Sir,

**Recommendation of fair Share Entitlement Ratio for the proposed demerger**  
**Chemical Business Undertaking of Gujarat Fluorochemicals Limited into Proposed New Co**

This refers to the Circular bearing reference No. LIST/COMP/02/2017-18 issued by the BSE Limited ("BSE") and your email dated 27 November, 2018 whereby you have requested us to provide the requisite information in connection with the Share Entitlement Ratio recommended in the Valuation Report dated 13 November, 2018 for the proposed demerger of the Chemical Business Undertaking of GFL into Proposed NewCo. (the "Report"), issued by Walker Chandiook & Co LLP ("We" or "WCC")

In this regard, we have presented the valuation workings as an Annexure to this letter.

The explanations enclosed therein are prepared solely for the purpose of submission to BSE Limited and other relevant regulatory authorities as required. The same should be read in conjunction with the Report and the caveats therein. Further, none of its contents may be reproduced or circulated to any person or for any purpose other than as mentioned above without the prior consent of WCC.

Yours faithfully,  
For **Walker Chandiook & Co LLP**  
Chartered Accountants  
Firm Registration No: 001076N/ N500013



**Sudhir N. Pillai**  
Partner  
Membership No: 105782

# Walker Chandiook & Co LLP

Gujarat Fluorochemicals Limited

## Annexure

As per the Scheme of Arrangement ("Scheme"), the Chemical Business Undertaking of GFL is proposed to be demerged into Proposed NewCo. Once the Scheme is implemented, all the shareholders of GFL would also become shareholders in the Proposed NewCo, and their shareholding in Proposed NewCo would mirror their shareholding in GFL. Hence, no relative valuation of the two entities is required to be undertaken. Hence, we have not carried out valuation of these entities under generally accepted valuation approaches as below:

Valuation Approach	GFL		Chemical Business Undertaking	
	INR	Weight (%)	INR	Weight (%)
Asset Approach	NA	0%	NA	0%
Market Approach	NA	0%	NA	0%
Income Approach	NA	0%	NA	0%
Relative Value Per Share*	NA	0%	NA	0%

\*face value INR 1 per share

NA = Not Adopted / Not Applicable

We understand that the interest of the shareholders in GFL will effectively remain unchanged and therefore from that perspective shareholders interest would not be prejudicially affected. The Scheme doesnot envisage dilution of the holding of any one or more of shareholders as a result of operation of the Scheme.



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Date: 13 November 2018

**Sub: Recommendation of fair Share Entitlement Ratio for the proposed demerger of Chemical Business Undertaking of Gujarat Fluorochemicals Limited into Proposed NewCo.**

Dear Sir / Madam,

We refer to our Engagement Letter dated 13 November 2018 whereby the Management of Gujarat Fluorochemicals Limited ("GFL" or the "Company") has requested Walker Chandiook & Co LLP ("WCC" or the "firm") for a valuation report recommending the Share Entitlement Ratio for the proposed group restructuring of GFL under a Scheme of Arrangement pursuant to provisions of Sections 230 to 232 of the Companies Act, 2013, and other applicable provisions of the Companies Act, 2013 ("Scheme" or "Scheme of Amalgamation"). The appointed date for the Scheme shall be 1 April 2019.

WCC has been hereafter referred to as 'Valuer' or 'we' in this Share Entitlement Ratio Report ('Report').

## CONTEXT AND PURPOSE

### Gujarat Fluorochemicals Limited

GFL, is a part of the INOX Group, which is diversified across the industrial gases, engineering plastics, refrigerants, chemicals, cryogenic engineering, renewable energy and entertainment sectors. GFL is engaged in the business of manufacturing chemicals, refrigerants, fluoropolymers, etc. Further, through investments in its subsidiaries, the Company is also engaged in Wind Energy, Wind Farming, Entertainment and other businesses.

GFL along with its subsidiaries operates in the chemicals business along verticals such as refrigerant gases, fluopolymers, commodity chemicals and speciality fluointermediates. It is engaged in manufacturing of chloromethanes, refrigerants and Polytetrafluoroethylene in India and caters to clients across the globe.



# Walker Chandiook & Co LLP

## Gujarat Fluorochemicals Limited

GFL is listed on BSE Limited ("BSE") and National Stock Exchange of India Limited ("NSE"). The registered office of GFL is situated at Survey No 16/3 26 27 Ranjitnagar , Ghoghamba Taluka, Panchmahal Gujarat - 389380 India

The issued and subscribed equity share capital of GFL as on 30 September 2018 was INR 109.8 million consisting of 10,98,50,000 equity shares of face value of INR 1 each. The shareholding pattern as on 30 September 2018 is as follows:

Sr. No.	Shareholder	Percentage
1	Promoter and Promoter Group	68.3%
2	Public	31.7%
	<b>Total</b>	<b>100.0%</b>

## Gujarat Fluorochemicals America LLC USA

Gujarat Fluorochemicals America LLC USA ("GFL USA") is a wholly owned subsidiary of GFL. GFL USA operates in the US market and is primarily engaged in the manufacture, trading and sale of Post Treated PTFE Compounds.

The issued and subscribed equity share capital of GFL USA as on 31 March 2018 was INR 101.2 million.

## Gujarat Fluorochemicals Singapore Pte Limited

Gujarat Fluorochemicals Singapore Pte Limited ("GFL Singapore") is a wholly owned subsidiary of GFL. GFL Singapore has been set up for the purpose of carrying out investment activities.

The issued and subscribed equity share capital of GFL Singapore as on 31 March 2018 was INR 555.3 million consisting of 90,91,000 equity shares of the face value of USD 1 each.

## Gujarat Fluorochemicals GmbH

Gujarat Fluorochemicals GmbH ("GFL Germany") is a wholly owned subsidiary of GFL. GFL Germany operates in the European markets and is primarily engaged in trading of polymer compounds especially, post-treated PTFE.

The issued and subscribed equity share capital of GFL Germany as on 31 March 2018 was INR 2.2 million

## GFL GM Fluorspar SA

GFL GM Fluorspar SA ("GFL GM") is a joint venture company established for the purpose of mining of fluorspar in Morocco. GFL GM is venture between GFL Singapore and Global Mines SARL.



# Walker ChandioK & Co LLP

## Gujarat Fluorochemicals Limited

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GFL Singapore holds 1,39,231 equity shares aggregating 74% stake in GFL GM and the balance 48,919 equity shares are held by Global Mines SARL, Morocco as on 31 March 2018.

The issued and subscribed equity share capital of GFL GM as on 31 March 2018 was INR 1350.0 million consisting of 1,88,150 equity shares of the face value of MAD 100 each.

### Chemical Business Undertaking

Chemical Business Undertaking comprises, business, activities and operations pertaining to business of chemicals of GFL, together with the equity shares held by GFL in GFL USA, GFL Singapore, GFL Germany and GFL GM.

### Proposed Demerger

We understand that the Management of GFL (the "Management") is contemplating a group restructuring/ realignment exercise wherein it is proposed that Chemical Business Undertaking of GFL as explained in the aforesaid paragraph will be demerged into a Proposed NewCo, to be incorporated as a subsidiary of GFL ("Proposed Demerger").

In this connection, Walker ChandioK & Co LLP has been requested by the Management to submit a report recommending the ratio of entitlement of equity shares of Proposed NewCo to the shareholders of GFL in connection with the Proposed Demerger for the consideration of the Board of GFL.

This Report is our deliverable for the above engagement.

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 therein.

### SOURCES OF INFORMATION

In connection with this exercise, we have considered during our analysis the following information received from the Management and/or gathered from public domain:

1. Shareholding Pattern of GFL as on 30 September 2018.
2. Shareholding Pattern of GFL USA, GFL Singapore, GFL Germany and GFL GM as on 31 March 2018;
3. Financial statement of GFL for the year ended 31 March 2018;
4. Draft Scheme of Arrangement received by us on 12 November 2018;
5. Correspondence with the Management including Management Representation Letter;
6. In addition to the above, we have also obtained such other information and explanations which were considered relevant for the purpose of our analysis.

The Company has been provided with the opportunity to review the draft Report (excluding the recommended Share Entitlement Ratio) as part of our standard practice to make sure that factual inaccuracies / omissions are avoided in our final Report.



# Walker Chandiook & Co LLP

## Gujarat Fluorochemicals Limited

Management has informed us that Keynote Corporate Services Limited have been appointed by GFL, to provide fairness opinion on the Share Entitlement Ratio for the purpose of the aforementioned Proposed Demerger. Further, at the request of the Management, we have had discussions with fairness opinion providers appointed by GFL on the valuation approach.

### SCOPE LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS AND DISCLAIMERS

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 therein.

Provision of valuation opinions and consideration of the issues described herein are areas of our regular practice. The services do not represent accounting, assurance, accounting / tax due diligence, consulting or tax related services that may otherwise be provided by us or our affiliates.

The recommendation contained herein is not intended to represent value at any time other than date of the Report.

Our scope is limited to expression of our view on the proposed Share Entitlement Ratio and its impact on the economic interest of the shareholders of GFL and the resulting company. The Report should not be construed as, our opinion or certifying the compliance of the proposed restructuring with the provisions of any law including the Companies Act 1956, Companies Act 2013, FEMA, taxation related laws, capital market related laws, any accounting, taxation or legal implications or issues arising from Proposed Demerger.

This Report, its contents and the results herein are (i) specific to the purpose of valuation agreed as per the terms of our engagement; (ii) the Valuation Date and (iii) are based on the data detailed in the section – Sources of Information. An analysis of this nature is necessarily based on the prevailing stock market, financial, economic and other conditions in general and industry trends in particular, and the information made available to us as of the Valuation Date. Events occurring after the date hereof may affect this Report and the assumptions used in preparing it, and we do not assume any obligation to update, revise or reaffirm this Report.

The recommendation rendered in this Report only represents our recommendation based upon information till date, furnished by the Management (or its representatives) and other sources and the said recommendation shall be considered to be in the nature of non-binding advice, (our recommendation will however not be used for advising anybody to take buy or sell decision, for which specific opinion needs to be taken from expert advisors).

The determination of a Share Entitlement Ratio is not a precise science and the conclusions arrived at in many cases will, of necessity, be subjective and dependent on the exercise of individual judgement. There is, therefore, no single undisputed Share Entitlement Ratio. While we have provided our recommendation of the Share Entitlement Ratio based on the information available to us and within the scope of our engagement, others may have a different opinion. The final responsibility for the determination of the Share Entitlement Ratio at which the Proposed Demerger shall take place will be with the Board of Directors of GFL who should take into account other factors such as their own assessment of the Proposed Demerger and input of other advisors.



# Walker Chandiook & Co LLP

## Gujarat Fluorochemicals Limited

In the course of the valuation, we were provided with both written and verbal information, including information as detailed in the section - Sources of Information. In accordance with the terms of our engagement, we have assumed and relied upon, (i) the accuracy of the information that was publicly available and (ii) the accuracy of information made available to us by the Company. As per our Engagement Letter and in accordance with the customary approach adopted in valuation exercises, we have not audited, reviewed or otherwise investigated the historical financial information provided to us. We have not independently investigated the data provided by the Company. Accordingly, we do not express an opinion or offer any form of assurance regarding the truth and fairness of the financial position as indicated in the financial statements. Also, with respect to explanations and information sought from GFL, we have been given to understand by GFL that they have not omitted any relevant and material factors and that they have checked the relevance or materiality of any specific information to the present exercise with us in case of any doubt. Our conclusions are based on the assumptions and information given by/on behalf of GFL. The Management has indicated to us that they have understood that any omissions, inaccuracies or misstatements may materially affect our valuation analysis/results. Also, we assume no responsibility for technical information furnished by GFL.

Accordingly, we assume no responsibility for any errors in the information furnished by the Management or obtained from public domain and their impact on the Report. However, nothing has come to our attention to indicate that the information provided was materially mis-stated/ incorrect or would not afford reasonable grounds upon which to base the Report.

The Management has represented that the business activities have been carried out in the normal and ordinary course as on the Valuation Date for GFL and Chemical Business Undertaking and that no material adverse change has occurred in their respective operations and financial position between the respective aforementioned dates.

The Report assumes that GFL, its subsidiaries and JVs comply fully with relevant laws and regulations applicable in all their areas of operations unless otherwise stated, and that all the companies will be managed in a competent and responsible manner. Further, except as specifically stated to the contrary, this Report has given no consideration to matters of a legal nature, including issues of legal title and compliance with local laws, and litigation and other contingent liabilities that are not recorded in the audited/unaudited balance sheet of GFL, its subsidiaries and JVs. Our conclusion of value assumes that the assets and liabilities of GFL, its subsidiaries and JVs, reflected in their respective latest balance sheets remain intact as of the Valuation Date.

This Report does not look into the business/ commercial reasons behind the Proposed Demerger nor the likely benefits arising out of the same. Similarly, it does not address the relative merits of the Proposed Demerger as compared with any other alternative business transaction or other alternatives or whether or not such alternatives could be achieved or are available.

No investigation / inspection of the Companies' claim to title of assets has been made for the purpose of this Report and the Companies' 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.



# Walker Chandiook & Co LLP

## Gujarat Fluorochemicals Limited

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The fee for the engagement is not contingent upon the results reported.

We owe responsibility to only the Boards of Directors of GFL who have appointed us under the terms of our engagement letter and nobody else. We will not be liable for any losses, claims, damages or liabilities arising out of the actions taken, omissions of or advice given by any other advisor to GFL. In no event shall we be liable for any loss, damages, cost or expenses arising in any way from fraudulent acts, misrepresentations or willful default on part of GFL, their directors, employees or agents. In no circumstances shall the liability of a Valuer, its partners, its directors or employees, relating to the services provided in connection with the engagement set out in this Report shall exceed the amount paid to such Valuer in respect of the fees charged by it for these services.

We do not accept any liability to any third party in relation to the issue of this Report. It is understood that this analysis does not represent a fairness opinion on the Share Entitlement Ratio. This Report is not a substitute for the third party's own due diligence/ appraisal/ enquiries/ independent advice that the third party should undertake for his purpose.

This Report is subject to the laws of India.

The Report should be used in connection with the Scheme.

Neither the Valuation Report nor its contents may be referred to or quoted in any registration statement, prospectus, offering memorandum, annual report, loan agreement or other agreement or document given to third parties other than in connection with the proposed scheme of arrangement, without our prior written consent except for disclosures to be made to relevant regulatory authorities including stock Exchanges, SEBI and National Company Law Tribunal.

This Report does not in any manner address the prices at which equity shares will trade following announcement of the Proposed Demerger and we express no opinion or recommendation as to how the shareholders of either Company should vote at any shareholders' meeting(s) to be held in connection with the Proposed Demerger.

### APPROACH - SHARE ENTITLEMENT RATIO FOR PROPOSED DEMERGER

As per the proposed scheme of arrangement, in consideration of the transfer and vesting of Chemical Business Undertaking of GFL into Proposed NewCo, the Proposed NewCo shall issue & allot equity shares to the equity shareholders of GFL based on the ratio of allotment of shares.

Upon the issue of shares by the Proposed NewCo, the entire existing share capital of the Proposed NewCo held by GFL as on the Effective Date shall stand cancelled without any payment. Accordingly, the share capital of the Proposed NewCo shall stand reduced to the extent of the face value of shares held by GFL upon the issue of shares by the Proposed NewCo.

We understand that, as part of the Scheme, the Chemical Business Undertaking of GFL is proposed to be demerged into Proposed NewCo. Once the Scheme is implemented, all the shareholders of GFL would also become shareholders in the Proposed NewCo, and their shareholding in Proposed NewCo would mirror their shareholding in GFL.





# Walker Chandiook & Co LLP

## Gujarat Fluorochemicals Limited

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We further understand that as an effect of demerger, each shareholder of GFL would become owner of shares in two companies instead of one. Post Demerger, the percentage holding of a shareholder in GFL would remain unchanged from the proportion of capital held by such shareholder in GFL.

The management of GFL has further indicated that the shareholding of Proposed NewCo pursuant to the Proposed Demerger of Chemical Business Undertaking into Proposed NewCo would be, effectively, same as the shareholding of GFL (pre-demerger) as the new shares of Proposed NewCo would be issued to the shareholders of GFL in proportion to their shareholding in GFL (pre-demerger). Thus, we understand that the interest of the shareholders in GFL will effectively remain unchanged and therefore from that perspective shareholders interest would not be prejudicially affected. The Scheme doesnot envisage dilution of the holding of any one or more of shareholders as a result of operation of the Scheme.

### RECOMMENDATION OF RATIO OF ENTITLEMENT OF EQUITY SHARES FOR THE PROPOSED DEMERGER

On the basis of the foregoing, any share entitlement ratio can be considered for the above demerger as the proportionate shareholding of any shareholder would not vary. Considering the desired capital structure of Proposed NewCo, the Management has proposed a share entitlement ratio of 1 (One) fully paid equity share of Proposed NewCo of face value of INR 1 each, in exchange of, every 1 (One) fully paid equity share of GFL of face value of INR 1 (One) each in the event of Demerger of Chemical Business Undertaking of GFL into Proposed NewCo.

As proposed by the Management and on consideration of all the relevant factors and circumstances as discussed and outlined hereinabove, the share entitlement ratio in the event of Demerger of Chemical Business Undertaking of GFL into Proposed NewCo is proposed as follows:

1 (One) fully paid equity share of face value of INR 1 (Rupee One) each of Proposed NewCo for every 1 (One) fully paid equity share of face value of INR 1 (Rupee one) each held in GFL.

We believe that the above share entitlement ratio is fair and reasonable considering that all the shareholders of GFL will upon demerger, be the ultimate beneficial owners of Proposed NewCo in the same ratio (inter se) as they hold shares in GFL, as on the record date.

Yours faithfully,  
For **Walker Chandiook & Co LLP**  
Chartered Accountants  
ICAI Firm Registration No: 001076N/ N500013



**Sudhir N. Pillai**  
Partner  
Membership No: 105782

# Walker Chandiook & Co LLP

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To  
**The Board of Directors**  
**INOX Fluorochemicals Limited**  
2nd Floor, ABS Towers,  
Old Padra Road, Vadodara  
Gujarat - 390007

Date: 11 December 2018

**Sub: Recommendation of fair Share Entitlement Ratio for the proposed demerger of Chemical Business Undertaking of Gujarat Fluorochemicals Limited into Proposed NewCo.**

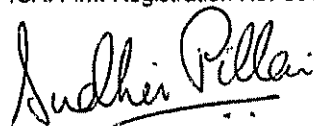
Dear Sir,

This refers to the valuation report dated 13 November, 2018 for the proposed demerger of the Chemical Business Undertaking of GFL into Proposed NewCo. (the "Report") issued by Walker Chandiook & Co LLP ("We" or "WCC").

We are informed based on your email dated 11 December 2018, that the Proposed NewCo. referred in the Report has been incorporated on 6 December 2018 as INOX Fluorochemicals Limited. Accordingly, we confirm that the Report can be used for proposed Scheme of Arrangement by INOX Fluorochemicals Limited.

Please note that all the terms & conditions and caveats as mentioned in the Engagement Letter and Report are applicable to INOX Fluorochemicals Limited.

Yours faithfully,  
For Walker Chandiook & Co LLP  
Chartered Accountants  
ICAI Firm Registration No: 001076N/ N500013



**Sudhir N. Pillai**  
Partner  
Membership No: 105782