

STRICTLY PRIVATE & CONFIDENTIAL

December 12, 2023

To,
The Board of Directors,
Chembond Chemicals Limited
EL-71, Chembond Centre,
MIDC, Mahape,
Navi Mumbai – 400710

Dear Sir(s)/ Madam(s),

Re: Fair share entitlement ratio for the proposed demerger of 'CC & WT Business' of Chembond Chemicals Limited

We refer to the engagement letter dated November 29, 2023, whereby, SSPA & Co., Chartered Accountants (hereinafter referred to as 'SSPA' or 'Registered Valuer' or 'We') have been appointed by the management of Chembond Chemicals Limited ('CCL' or 'the Company' or 'Demerged Company') to issue a report opining on the fair share entitlement ratio for the proposed demerger of CC & WT Business of CCL (hereinafter referred to as the 'CC & WT Business' or 'Demerged Undertaking') into a new wholly owned subsidiary of CCL to be incorporated (hereinafter referred to as 'Proposed New Co.').

CCL and Proposed New Co. are hereinafter collectively referred to as the 'Companies'.

1. SCOPE AND PURPOSE OF THIS REPORT

- 1.1 We have been informed by the management of CCL (hereinafter referred to as 'the Management') that they are considering a proposal for demerger of 'Demerged Undertaking' of CCL into Proposed New Co. pursuant to a composite scheme of arrangement under section 230 to 232 and other applicable provisions of the Companies Act, 2013, including rules and regulations made thereunder (hereinafter referred to as the 'Scheme'). Subject to necessary approvals, Demerged Undertaking of CCL would be demerged into



Proposed New Co. with effect from the appointed date of April 01, 2024 (hereinafter referred to as 'Appointed Date').

The proposed transaction is hereinafter referred to as the 'Proposed Demerger'.

- 1.2 Proposed New Co. is to be incorporated as a wholly owned subsidiary of CCL. As part of the Scheme, the equity shares of Proposed New Co. which will be held by CCL will stand cancelled on demerger coming into effect.
- 1.3 Pursuant to the Scheme, as a consideration for the Proposed Demerger, equity shareholders of CCL are proposed to be allotted equity shares of face value of INR 5 each fully paid up of Proposed New Co.
- 1.4 In this regard, we have been requested to issue a report opining on the fair share entitlement ratio as recommended by the Management for the Proposed Demerger.

2. BRIEF BACKGROUND

2.1. CHEMBOND CHEMICALS LIMITED

CCL is one of the leading manufacturer and supplier of specialty performance chemicals to a cross section of industries across India. CCL is engaged in the business of manufacturing a diverse range of specialty chemicals and products like water treatment, metal treatment, construction chemicals, high performance coatings, animal health, industrial adhesives and sealants.

CCL has lab and R&D facilities at their head office in MIDC Mahape, Navi Mumbai. The Company's manufacturing plants are located at Tarapur, Dudhwada, Baddi, Chennai and Balasore.

The equity shares of CCL are listed on BSE Limited ('BSE') and the National Stock Exchange of India Limited ('NSE').

The shareholding pattern of CCL as on September 30, 2023 is as follows:

Category of shareholders	No. of shares	% of holding
Promoter and promoter group	90,82,652	67.54%
Public	43,65,636	32.46%
Total (face value of INR 5 each)	1,34,48,288	100.00%

The issued, subscribed, and fully paid-up share capital of the Demerged Company as on September 30, 2023 is INR 6.72 crores comprising of 1,34,48,288 equity shares of INR 5 each fully paid up.



2.2. DEMERGED UNDERTAKING OF CCL

'Demerged Undertaking' means of all assets, movable and immovable properties, liabilities, permits, licenses, registrations, approvals, contracts, and employees, in relation to and pertaining to CC & WT business.

'CC & WT' Business means the construction chemicals, water technologies and cleaning & hygiene businesses of manufacturing, selling, distribution and trading of chemicals, including chemicals used in construction and civil repair industry as well as in relation to chemicals, equipment and services required for water treatment.

2.3. PROPOSED NEW CO.

Proposed New Co. would be an unlisted public company to be incorporated under Companies Act, 2013 with an objective to carry on the business of manufacturing or dealing in all kinds of chemicals including speciality chemicals, intermediates, or chemical mixtures, etc. Proposed New Co. would be incorporated as a wholly owned subsidiary of CCL.

3. REGISTERED VALUER - SSPA & CO., CHARTERED ACCOUNTANTS

SSPA, is a partnership firm, located at 1st Floor, "Arjun", Plot No. 6A, V. P. Road, Andheri (West), Mumbai - 400 058, India. SSPA is engaged in providing various corporate consultancy services.

We are a firm of practising Chartered Accountants registered with The Institute of Chartered Accountants of India ('ICAI'). We are also registered with the Insolvency and Bankruptcy Board of India ('IBBI'), as a Registered Valuer for asset class – 'Securities or Financial Assets' with Registration No. IBBI/RV-E/06/2020/126.

4. SOURCES OF INFORMATION

For the purpose of this exercise, we have relied upon the following sources of information received from the Management and information available in the public domain:

- (a) Management certified provisional statement of assets and liabilities of Demerged Undertaking of CCL as on September 30, 2023.
- (b) Draft composite scheme of arrangement.
- (c) Such other information and explanations as we required and which have been provided by the Management, including management representations.



- 5. SCOPE LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS, AND DISCLAIMERS**
- 5.1. Our report is subject to the scope and 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 herein and in the context of the purpose for which it is made. Further, our report containing recommendation of fair share entitlement ratio for the Proposed Demerger is in accordance with ICAI Valuation Standards 2018 issued by The Institute of Chartered Accountants of India.
- 5.2. This report has been prepared for the Board of Directors of CCL solely for the purpose of recommending a fair share entitlement ratio for the Proposed Demerger.
- 5.3. The report assumes that the Company / Demerged Undertaking of CCL complies fully with relevant laws and regulations applicable in its area of operations and usage unless otherwise stated, and that the Company / Demerged Undertaking of CCL will be managed in a competent and responsible manner. Further, 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 litigations.
- 5.4. The draft of the present report was circulated to the Management (excluding the recommended fair share entitlement ratio) for confirming the facts stated in the report and to confirm that the information or facts stated are not erroneous.
- 5.5. For the purpose of this exercise, we were provided with both written and verbal information including information detailed hereinabove in para 'Sources of Information'. Further, the responsibility for the accuracy and completeness of the information provided to us by the Company and / or its auditors / consultants, is that of the Management. Also, with respect to explanations and information sought from the Companies, we have been given to understand by the Management that they have not omitted any relevant and material information about the Company / Demerged Undertaking of CCL. The Management have indicated to us that they have understood that any omissions, inaccuracies or misstatements may materially affect our conclusions.
- 5.6. Our work does not constitute an audit, due diligence, or certification of these information referred to in this report including information sourced from public domain. Accordingly, we are unable to and do not express an opinion on the fairness or accuracy of any information referred to in this report and consequential impact on the present exercise. However, we have evaluated the information provided to us by the Company through broad inquiry,



analysis, and review. However, nothing has come to our attention to indicate that the information provided / obtained was materially misstated / incorrect or would not afford reasonable grounds upon which to base the report.

- 5.7. This report is issued on the understanding that the Management has drawn our attention to all the matters, which they are aware of concerning the financial position of the Company / Demerged Undertaking of CCL and any other matter, which may have an impact on the report including any significant changes that have taken place or are likely to take place in the financial position of the Company / Demerged Undertaking of CCL. Events and transactions occurring after the date of this report may affect the report and assumptions used in preparing it and we do not assume any obligation to update, revise or reaffirm this report.
- 5.8. We are independent of the Company and have no current or expected interest in the Company or its assets. The fee paid for our services in no way influenced the results of our analysis.
- 5.9. Our report is not, nor should it be construed as our opining or certifying the compliance with the provisions of any law including companies, competition, taxation, and capital market related laws or as regards any legal implications or issues arising in India or abroad from the Proposed Demerger.
- 5.10. Any person/party intending to provide finance/divest/invest in the shares/convertible instruments/business of the Company / Demerged Undertaking of CCL shall do so after seeking their own professional advice and after carrying out their own due diligence procedures to ensure that they are making an informed decision.
- 5.11. The decision to carry out the Proposed Demerger (including consideration thereof) lies entirely with the parties concerned and our work and our finding shall not constitute a recommendation as to whether or not the parties should carry out the Proposed Demerger.
- 5.12. Our report is meant for the purpose mentioned in Para 1 only and should not be used for any purpose other than the purpose mentioned therein. It is exclusively for the use of the Companies and may be submitted to National Company Law Tribunal /regulatory/statutory authority for obtaining requisite approvals. The Report should not be copied or reproduced without obtaining our prior written approval for any purpose other than the purpose for which it is prepared. In no event, regardless of whether consent has been provided, shall SSPA assume any responsibility to any third party to whom the report is disclosed or



otherwise made available.

- 5.13. SSPA nor its partners, managers, employees make any representation or warranty, express or implied, as to the accuracy, reasonableness, or completeness of the information, based on which this report is issued. We owe responsibility only to the Company that has appointed us under the terms of the Engagement Letter. We will not be liable for any losses, claims, damages, or liabilities arising out of the actions taken, omissions, or advice given by any other person. 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 the client or companies, their directors, employees, or agents.

6. RECOMMENDATION OF SHARE ENTITLEMENT RATIO

Based on discussions with the Management, the share entitlement ratio has been determined as follows:

- 6.1. As mentioned in Para 1.2 above, in consideration for the Proposed Demerger, Proposed New Co. would issue equity shares to the equity shareholders of CCL.

We understand that the Management have considered following parameters while arriving at the share entitlement ratio:

- i. No fractional entitlements.
- ii. Future equity servicing capacity of Proposed New Co.

- 6.2. Accordingly, the Management has recommended the following share entitlement ratio in consideration for the Proposed Demerger i.e. demerger of Demerged Undertaking of CCL into Proposed New Co.:

2 (two) equity shares of INR 5 each fully paid up of Proposed New Co. for every 1 (one) equity share of INR 5 each fully paid up held in CCL.

We believe that the aforementioned share entitlement ratio is fair considering that all the shareholders of CCL are and will, upon Proposed Demerger, be the ultimate beneficial owners of Proposed New Co. in the same ratio (inter se) as they hold shares in CCL.

- 6.3. As mentioned above, post the Proposed Demerger all the shareholders of CCL are and will be the ultimate beneficial owners of Proposed New Co. in the same ratio (inter se) as they hold shares in CCL. Therefore, no relative valuation of Demerged Undertaking of CCL and of Proposed New Co. is required to be undertaken for the Proposed Demerger. Accordingly, valuation approaches as indicated in the format (as attached herewith as **Annexure I** to this



report) as prescribed by circular number NSE/CML/2017/12 of NSE and LIST/COMP/02/2017-18 of BSE have not been undertaken as they are not relevant in the instant case.

7. CONCLUSION

7.1. The share entitlement ratio in consideration for the Proposed Demerger as recommended by the Management is:

2 (two) equity shares of INR 5 each fully paid up of Proposed New Co. for every 1 (one) equity share of INR 5 each fully paid up held in CCL

Based on our review, information made available to us and discussions with the Management, in our opinion, the aforementioned share entitlement ratio in consideration for the Proposed Demerger of Demerged Undertaking of CCL into Proposed New Co. is reasonable.

We believe that the aforementioned share entitlement ratio is fair considering that all the shareholders of CCL are and will, upon Proposed Demerger, be the ultimate beneficial owners of Proposed New Co. in the same ratio (inter se) as they hold shares in CCL.

Thanking you,
Yours faithfully,

For SSPA & CO.

Chartered Accountants

ICAI Firm registration number: 128851W

IBBI Registered Valuer No.: IBBI/RV-E/06/2020/126



Sujal Shah

Partner

Registered Valuer No.: IBBI/RV/06/2018/10140

ICAI Membership No. 045816

Place: Mumbai



UDIN: 23045816BGTDYG1385

Place: Mumbai

For Demerger of 'Demerged Undertaking' of CCL into Proposed New Co. (Refer para 6.3)

Valuation Approach	Demerged Undertaking		Proposed New Co.	
	Value per share (INR)	Weight	Value per share (INR)	Weight
Asset Approach	NA	NA	NA	NA
Income Approach	NA	NA	NA	NA
Market Approach	NA	NA	NA	NA
Relative value per share	NA		NA	



Chembond Chemicals Limited

December 28, 2023

BSE Limited
Listing Department,
P.J. Tower, Dalal Street, Fort,
Mumbai – 400 001.

BSE Scrip Code: 530871

National Stock Exchange of India Limited
Listing Department,
Exchange Plaza, Plot No. C/1, G Block,
Bandra-Kurla Complex, Bandra (E),
Mumbai – 400 051.
NSE Symbol: CHEMBOND

Dear Sir/Madam,

Subject: Declaration under Part I Para A 2(b) and 2(j) of SEBI Master Circular No. SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023 (“SEBI Scheme Circular”)

This is in connection with our application under Regulation 37 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI LODR Regulations”) for the Composite Scheme of Arrangement in the nature of demerger of “CC & WT Business” of Chembond Chemicals Limited (“Demerged Company” or “Transferee Company”) into Chembond Chemical Specialties Limited, a wholly owned subsidiary company of the Company (“Resulting Company”) and post Demerger, Amalgamation of Chembond Clean Water Technologies Limited (“Transferor Company No. 1”) with the Resulting Company (“Amalgamation – I”) and amalgamation of Chembond Material Technologies Private Limited (“Transferor Company No. 2”), Phiroze Sethna Private Limited (“Transferor Company No. 3”), Gramos Chemicals (India) Private Limited (“Transferor Company No. 4”) with the Transferee Company (“Amalgamation – II”) and their respective shareholders under Sections 230 to 232 read with Section 66 of the Companies Act, 2013 (“Scheme”) read with applicable rules made thereunder .

As required under Part I Para A 2(b) of the aforesaid SEBI Scheme Circular, we hereby confirm that no material event impacting the valuation has occurred during the intervening period of filing the Scheme documents with BSE Limited and National Stock Exchange of India Limited and period under consideration for valuation.

We hereby declare that none of the companies involved in the Composite Scheme of Arrangement had their debt securities listed in any of the exchanges either in India or Abroad. Therefore, the requirements under Part I Para A 2(j) of the aforesaid SEBI Scheme Circular are not applicable.

For Chembond Chemicals Limited



Suchita Singh
Company Secretary and Compliance Officer
Membership No. - A43837



Sameer V. Shah
Chairman and Managing Director
DIN: 00105721

