

STRICTLY PRIVATE & CONFIDENTIAL

February 03, 2018

The Board of Directors,
Nitta Gelatin India Limited
54/1446, SBT Avenue,
Panampilly Nagar,
Cochin - 682 036, Kerala.

The Board of Directors,
Reva Proteins Limited
54/1446, SBT Avenue,
Panampilly Nagar,
Cochin - 682 036, Kerala.

Re: Recommendation of fair share exchange ratio for the purpose of proposed amalgamation of Reva Proteins Limited with Nitta Gelatin India Limited

Dear Madam(s)/ Sir(s),

As requested by the management of Nitta Gelatin India Limited (hereinafter referred to as 'NGIL') and Reva Proteins Limited (hereinafter referred to as 'RPL') (hereinafter collectively referred to as the 'Management'), we have undertaken the valuation exercise of equity shares of RPL to recommend a fair exchange ratio for the proposed amalgamation of RPL with NGIL (hereinafter collectively referred to as 'the Companies').

1. PURPOSE OF VALUATION

- 1.1 We have been informed that the management of RPL and NGIL are considering a proposal for the amalgamation of RPL with NGIL (hereinafter referred to as 'Amalgamation') through a Scheme of Amalgamation ('the Scheme') pursuant to the provisions of Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 ('the Act'). Subject to necessary approvals, RPL would be amalgamated with NGIL with effect from Appointed Date of April 01, 2017 ('Appointed Date').
- 1.2 In this regards, SSPA & Co., Chartered Accountants ("SSPA") have been appointed to recommend the fair share exchange ratio for the proposed amalgamation for consideration of the Boards of NGIL and RPL.
- 1.3 We have been represented by the Management that NGIL intends to discharge the consideration for amalgamation through issue of Redeemable Preference Shares



carrying a coupon of 6 months Libor + 500 basis points (hereinafter referred to as 'RPS') of INR 10 each to the equity shareholders of RPL. In view of this, there is no need to carry out valuation of equity shares of NGIL. Considering this, we have carried out a valuation of the equity shares of RPL with a view to recommend a ratio of exchange of RPS of NGIL to the equity shareholders of RPL for the proposed Amalgamation.

2. BRIEF BACKGROUND

2.1 NITTA GELATIN INDIA LIMITED

2.1.1 NGIL is Indo-Japanese joint venture between Kerala State Industrial Development Corporation Ltd., India and Nitta Gelatin Inc., Japan.

2.1.2 NGIL is engaged in the manufacture and sale of Gelatin, Ossein, Di Calcium Phosphate (DCP), Ossein (Limed), Chitosan and Collagen Peptide, which are used in various applications, including healthcare, personal care, food products and animal feed. NGIL's plants are located at Koratty, Kusumagiri, and Cherthala Taluk in the state of Kerala.

2.1.3 The equity shares of NGIL are listed on BSE Limited.

2.2 REVA PROTEINS LIMITED

2.2.1 RPL is a subsidiary of NGIL and is engaged in manufacture and sale of Limed Ossein, Ossein, Di Calcium Phosphate (DCP) and 8% Di Calcium Phosphate. RPL's manufacturing facility is situated at Bharuch, Gujarat.

2.2.2 We have been informed by the Management that post FY 2015-16, business model of RPL has changed from a job processor (job work services) for NGIL to an independent manufacturer and seller.

2.3 We have been informed that upon amalgamation becoming effective, the existing Optionally Convertible Non-Cumulative Preference Shares of RPL held by NGIL shall stand cancelled.

3. SOURCES OF INFORMATION

For the purpose of the valuation exercise, we have relied upon the following sources of information:

(a) Audited Financial Statements of NGIL and RPL for the financial year ('FY') ended March 31, 2017.



- (b) Management certified Provisional Financial Statements of RPL for the 6 months period ended September 30, 2017 ('6ME Sep 17').
- (c) Financial Projections of RPL comprising of Balance Sheet and Statement of Profit and Loss for FY 2017-18 to FY 2022-23 as provided by the Management.
- (d) Discussions with the Management on various issues relevant for the valuation including the prospects and outlook for the industry, expected growth rate and other relevant information relating to future expected profitability of the business, etc.
- (e) Other relevant details regarding the Companies such as their history, their promoters, past and present activities, future plans and prospects, existing shareholding pattern and other relevant information and data as provided by the Management.
- (f) Information available in the public domain.

4. EXCLUSIONS AND LIMITATIONS

- 4.1 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 herein and in the context of the purpose for which it is made.
- 4.2 Valuation 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 judgment. There is, therefore, no indisputable single value. While SSPA has provided an assessment of the value based on the information available, application of certain formulae and within the scope and constraints of our engagement, others may place a different value to the same.
- 4.3 A valuation of this nature involves consideration of various factors including those impacted by prevailing market trends in general and industry trends in particular.
- 4.4 In the course of the valuation, we were provided with both written and verbal information. Our conclusions are based on the assumptions, forecasts and other information given by/on behalf of the Management.
- 4.5 Our work does not constitute an audit or certification of the historical financial statements / prospective results of the Companies along with information sourced from public domain, referred to in this report. We have, therefore, not performed any due



diligence procedure on the historical data and information sourced from public domain. Further, we do not accept responsibility for the accuracy and completeness of the information provided to us by the Management or information sourced from public domain and accordingly, we are unable to and do not express an opinion on the fairness or accuracy of any financial information referred to in this report and consequential impact on the present exercise.

- 4.6 No investigation on the Managements' claim to title of assets of the Companies has been made for the purpose of this valuation and their claim to such rights has been assumed to be valid. No consideration has been given to liens or encumbrances against the assets, beyond the liabilities disclosed in the accounts. Therefore, no responsibility is assumed for matters of a legal nature.
- 4.7 Our recommendation is based on the estimates of future financial performance as projected by the Management, which we are informed represents their view of reasonable expectation at the point of time when they were prepared, but such information and estimates are not offered as assurances that the particular level of income or profit will be achieved, or events will occur as predicted. Actual results achieved during the period covered by the prospective financial statements may vary from those contained in the statement and the variation may be material. The fact that we have considered the projections in this exercise of valuation should not be construed or taken as our being associated with or a party to such projections.
- 4.8 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 Companies along with any other matter, which may have an impact on our opinion, on the valuation including any significant changes that have taken place or are likely to take place in the financial position of the Companies subsequent to date of this report. We have no responsibility to update this report for events and circumstances occurring after the date of this report.
- 4.9 The fee for the engagement and this report is not contingent upon the results reported.
- 4.10 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 amalgamation. It also should not be construed as compliance



to ECB norms under which the Management is proposing to issue RPS as consideration for the Amalgamation.

- 4.11 The decision to carry out the transaction (including consideration thereof) lies entirely with the parties concerned. Any person intending to provide finance/invest in the shares/business of the Companies, 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. Our work and our finding shall not constitute a recommendation as to whether or not the parties concerned should carry out the transaction.
- 4.12 Valuation analysis and results are specific to the purpose of valuation and the valuation date mentioned in the report is as per agreed terms of our engagement.
- 4.13 This report is prepared only in connection with the proposed amalgamation exclusively for the use of the Companies and for submission to any regulatory/statutory authority as may be required under any law. 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.
- 4.14 SSPA nor its partners, managers, employees make any representation or warranty, express or implied, as to the accuracy, prudence or completeness of the information, based on which the valuation is carried out. All such parties expressly disclaim any and all liability for, or based on or relating to any such information contained in the valuation.

5. VALUATION APPROACH

- 5.1 For the purpose of valuation for amalgamation, generally the following approaches are adopted:
- (a) the 'Underlying Asset' approach,
 - (b) the 'Income' approach; and
 - (c) the 'Market' approach



- 5.2 As stated earlier, since RPS are being issued to the equity shareholders of NGIL as consideration for the proposed amalgamation, no valuation of equity shares of NGIL is required.
- 5.3 In the present case, RPL is intended to be valued on a 'going concern basis' and there is no intention to dispose-off the assets, therefore the 'Underlying Asset' approach is not adopted for the present valuation exercise.

6. VALUATION AS PER INCOME APPROACH

- 6.1 Under the 'Income' approach, shares of RPL have been valued using 'Discounted Cash Flow' (DCF) method.
- 6.2 Under the DCF method the projected free cash flows from business operations after considering fund requirements for projected capital expenditure and incremental working capital are discounted at the Weighted Average Cost of Capital (WACC). The sum of the discounted value of such free cash flows and discounted value of perpetuity is the value of the business.
- 6.3 The free cash flows represent the cash available for distribution to both the owners and the creditors of the business. The free cash flows are determined by adding back to profit before tax, (i) depreciation and amortizations (non-cash charge), (ii) interest on loans, if any and (iii) any non-operating item. The cash flow is adjusted for outflows on account of capital expenditure, tax and change in working capital requirements.
- 6.4 WACC is considered as the most appropriate discount rate in the DCF Method, since it reflects both the business and the financial risk of the Company. In other words, WACC is the weighted average of the company's cost of equity and debt. Considering an appropriate mix between debt and equity for the Company, we have arrived at the WACC to be used for discounting the Free Cash Flows of the Companies.
- 6.5 Appropriate adjustments have been made for cash and cash equivalents, present value of 6% Optionally Convertible Non-Cumulative Preference Shares ('OCNCPS'), value of investments and outstanding debt after considering the tax impact wherever applicable to arrive at the Equity value.
- 6.6 The equity value so arrived at is divided by the outstanding number of equity shares to arrive at the value per equity share of RPL.



7. VALUATION AS PER MARKET APPROACH

- 7.1 The market price of an equity share as quoted on a stock exchange is normally considered as the fair value of the equity shares of that company where such quotations are arising from the shares being regularly and freely traded in, subject to the element of speculative support that may be inbuilt in the value of the shares.
- 7.2 Since the equity shares of RPL are not listed on any recognized stock exchanges, value under market approach is disclosed based on Comparable Companies Multiple Method.

8. RECOMMENDATION OF FAIR EXCHANGE RATIO

- 8.1 The fair basis of amalgamation of RPL with NGIL would have to be determined after taking into consideration all the factors and methodologies mentioned hereinabove. Though different values have been arrived at under each of the above approaches, for the purposes of recommending a ratio of exchange it is necessary to arrive at a single value for the shares of the Companies. It is however important to note that in doing so, we are not attempting to arrive at the absolute values of the shares of each company. Our exercise is to work out relative value of shares of the Companies to facilitate the determination of a ratio of exchange. For this purpose, it is necessary to give appropriate weightage to the values arrived at under each approach.
- 8.2 As mentioned earlier, the Management is proposing to issue RPS as consideration for amalgamation of RPL with NGIL. We have been further informed that RPS will carry a coupon of 6 months Libor + 500 basis points and shall be non-cumulative, non-participating and redeemable at par. We have been informed by the Management that the coupon of RPS is in compliance with existing EBC norms since RPS are being issued to-promoters of NGIL (non-resident). Thus, the coupon of 6 months Libor + 500 basis points appears to be fair.
- 8.3 Further, shares of RPL are not listed on stock exchanges. Thus there is no market price available for the shares of RPL. Considering that RPL has recently changed business model from job processor to an independent manufacturer and seller, we have thought fit to give weightage only to value determined under Income Approach using DCF Method.



Valuation Approach	Value per share (INR)	Weight
Underlying Asset Approach *	1.27	-
Income Approach	9.27	1
Market Approach *	9.79	-
Value per share		9.27

* Note: As mentioned earlier, we have not adopted the 'Underlying Asset' approach and 'Market' approach for the present valuation exercise. However, we have computed the value per share as per 'Underlying Asset' approach and 'Market' approach for information purpose only, as required by BSE Limited and National Stock Exchange of India Limited vide their circular No. LIST/COMP/02/2017-18 dated May 29, 2017 and NSE/CML/2017/12 dated June 01, 2017 respectively.

8.4 The share exchange ratio has been arrived on the basis of a relative valuation of the shares of the Companies based on the approaches explained herein earlier and various qualitative factors relevant to each company and the business dynamics and growth potential of the businesses of the companies, having regard to information base, management representations and perceptions, key underlying assumptions and limitations.

8.5 In the ultimate analysis, valuation will have to involve the exercise of judicious discretion and judgment taking into account all the relevant factors. There will always be several factors, e.g. present and prospective competition, yield on comparable securities and market sentiments etc. which are not evident from the face of the balance sheet but which will strongly influence the worth of a share. This concept is also recognized in judicial decisions. For example, Viscount Simon Bd in Gold Coast Selection Trust Ltd. vs. Humphrey reported in 30 TC 209 (House of Lords) and quoted with approval by the Supreme Court of India in the case reported in 176 ITR 417 as under:

'If the asset takes the form of fully paid shares, the valuation will take into account not only the terms of the agreement but a number of other factors, such as prospective yield, marketability, the general outlook for the type of business of the company which has allotted the shares, the result of a contemporary prospectus offering similar shares for subscription, the capital position of the company, so forth. There may also be an element of value in the fact that the holding of the shares gives control of the company. If the asset is difficult to value, but is nonetheless of a money value, the best valuation possible must be made. Valuation is an art, not an exact science. Mathematical certainty is not demanded, nor indeed is it possible.'



must be made. Valuation is an art, not an exact science. Mathematical certainty is not demanded, nor indeed is it possible.'

- 8.6 In the light of the above and on a consideration of all the relevant factors and circumstances as discussed and outlined hereinabove referred to earlier in this report, in our opinion, a fair ratio of exchange in the event of amalgamation of RPL with NGIL would be as under:

One Hundred (100) Redeemable Preference Shares of NGIL of INR 10/- each fully paid up for every One Hundred and Eight (108) equity shares of RPL of INR 10/- each fully paid up.

Thank you,
Yours faithfully,

SSPA & CO.



SSPA & CO.
Chartered Accountants
Firm registration number: 128851W

Signed by Parag Ved, Partner
Membership No. 102432

Place: Mumbai



August 28, 2018

Mr. G Rajesh Kurup

Company Secretary & Compliance Officer

Nitta Gelatin India Limited

54/1446, SBT Avenue,

Panampilly Nagar,

Cochin – 682 036, Kerela.

Dear Sir,

Re: Summary workings and issue of Redeemable Preference Shares of fair value per share and fair exchange ratio for the proposed amalgamation of Reva Proteins Limited with Nitta Gelatin India Limited to be submitted with the stock exchanges

This is in reference to your request for providing summary workings of fair value per share and fair exchange ratio for the proposed amalgamation ("amalgamation") of Reva Proteins Limited (hereinafter referred to as "RPL") with Nitta Gelatin India Limited (hereinafter referred to as "NGIL" or the "Company") for submission with the stock exchanges in the format as prescribed by per the circular number NSE/CML/2017/12 of National Stock Exchange of India Limited ('NSE') and LIST/COMP/02/2017-18 of BSE Limited ('BSE').

RPL is proposed to be amalgamated into NGIL, whereby NGIL will discharge the consideration to shareholders of RPL by issue of such number of Redeemable Preference Shares ('RPS') of face value INR 10 each carrying a coupon of 6 months Libor + 500 basis points to the shareholders of RPL based on the ratio of exchange. Considering this valuation of equity shares of NGIL has not been carried out and only valuation of equity shares of RPL with a view to recommend a ratio of exchange of RPS of NGIL to the equity shareholders of RPL has been carried out.

The equity share capital of RPL is given below:

Name of the equity shareholder	Shares	% of holding
Nitta Gelatin India Limited (NGIL)	140,60,520	74.55%
Nitta Gelatin Inc., Japan	48,00,000	25.45%
Total	188,60,520	100.00%



The entire Optionally Convertible Non-Cumulative Preference Shares (OCNCPS) is held by NGIL.

As part of the proposed Scheme of Amalgamation pursuant to the provisions of Sections 230 to 232 and other applicable provisions of the Companies Act, 2013, existing OCNPS and equity shares held by NGIL in RPL will be automatically cancelled on amalgamation.

Allotment of RPS based on ratio of exchange:

- Nitta Gelatin India Limited**

Under the amalgamation shares held by NGIL are being cancelled, therefore no RPS will be allotted to NGIL.

- Nitta Gelatin Inc, Japan**

Particulars	Amount
No of equity shares held in RPL (Nos.)	48,00,000
Fair Value per share of RPL (INR)	9.27
Total Value of RPL's holding (INR Lacs) (Rounded off)	444.44

Accordingly, the ratio of exchange as required by the format is given below:

Valuation Approach	Nitta Gelatin India Limited		Reva Proteins Limited	
	Value per Share (INR)	Weight	Value per Share (INR)	Weight
Asset Approach	NA	NA	1.27	0
Income Approach	NA	NA	9.27	1
Market Approach	NA	NA	9.79	0
Relative Value per Share	NA		9.27	
Exchange Ratio (Rounded off)			NA	

Valuation of equity shares of NGIL is not required considering the fact that RPS is proposed to be issued to the Shareholders of RPL on amalgamation.

Value per equity shares of RPL is INR 9.27 and face value of Redeemable Preference Shares (RPS) proposed to be issued by NGIL is INR 10 each, therefore Share Exchange Ratio is One Hundred (100) RPS of NGIL of INR 10/- each fully paid up for every One Hundred and Eight (108) equity shares of RPL of INR 10/- each fully paid up.



Based on the above NGIL will allot the following RPS to equity shareholders of RPL:

Name of the shareholder	RPS	Remarks
Nitta Gelatin India Limited (NGIL)	-	No RPS to be allotted since Inter Company Holding
Nitta Gelatin Inc., Japan	44,44,444	Based on Ratio of Exchange
Total	44,44,444	

Hope the above clarifies. Should you need further assistance, please feel free to contact us.

Thanking you,
Yours sincerely,

SSPA & Co



SSPA & Co.
Chartered Accountants
(Signed by: Mr. Parag Ved, Partner)