VALUATION REPORT

FOR

ORTIN LABORATORIES LIMITED (OLL)

April 2019

M. MADHUSUDHANA REDDY
IBBI/ RV / 05 / 2019 / 10954
Registered Valuer (SFA)

Contents

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I. Introduction

History

Ortin Laboratories Limited (OLL) was originally incorporated in India under the Companies Act, 1956 with Registration No.L24110AP1986PLC006885 as M/s. Ortin Laboratories Limited on October 27, 1986 with Registrar of Companies, Telangana at Hyderabad. The Registered Office of Company is situated at D. No: 1-2-593/29, Ground Floor, Street No.4, GaganMahal Colony, Near BalaSai Temple, Domalguda, Hyderabad, Telangana, 500029.

Ortin Laboratories Limited (OLL), a Trusted Reliance for Quality and offer Quality Drugs and Medicines to the suffering mankind.Company Formulations unit is located in a spacious area of 25000 sq feet with all ultra-modern infrastructures as per the WHO GMP Standards to manufacture the complete range of Pharmaceutical Formulations of TABLETS, CAPSULES, SYRUPS, and DRY POWDERS.

In the year 2010, M/s Vineet Laboratories Private Limited has been merged with Ortin. Vineet Laboratories is an established Drug Intermediates manufacturing unit, majorly involved in the preparations of intermediates for ANTI-RETRO VIRALS and LIPID LOWERING AGENTS which is located in Choutuppal, Nalgonda District. The manufacturing unit is a complex of Production Blocks, Quality Control, R & D and Quality Assurance. The production blocks are well equipped with multipurpose SS and GLASS-LINED REACTORS.

Company Drug API Intermediates manufacturing unit has been certified as an ISO 9001: 2008 companies by Det Norske VERITAS, The Netherlands for its quality systems management which shows the quality conscious to deliver best quality products.

Company Formulations unit has been certified as a WHO - GMP certified company and an ISO 9001: 2008 Company by the Internationally Recognized Quality Management Certification Body, the BMQR & Accredited by AIAO-BAR, USA in pursuance of its focus towards Quality with its Policy to enhance customer satisfaction by providing Quality Pharmaceutical Formulations at optimum cost and maintain profitability through continual improvement of Quality Management Sytems and cGMP.

Company marketing its formulations all over India and its products has been well accepted by the medical profession. Company honored as a registered Supplier of Drugs & Medicines with the most reputed Central, State & Quasi-Government Organizations &Institutions of our Country.

The Company is listed in Bombay Stock Exchange and National Stock Exchange of India.

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Upon merger of M/s. Vineet Laboratories Pvt Ltd into the Company operating both divisions (i.e., formulations/tablets in Unit I, and API&Intermediaries are in Unit II) under one Company. Now the both units are functioning well and running successfully.

Considering the business opportunities and market regulations privileged in the Pharma Industry, the company now intends to demerge the both units and run under two separate entities. It will give both quality compliance and acquire the market regulatory compliances for its products. Accordingly we are now valuing the both units to demerge into separate entities.

Our Values

OLL adheres to various procedural checks and controls to ensure that the Product is of the required Quality. This is by company Quality Assurance Department which is well equipped with the latest Analytical Instruments. OLL have laid down various in-house and Pharmacopoeia Specifications for each step from the testing of Raw Materials to Finished Products. It has standardized and validated all our systems like water supply, procurement of specific ingredients, quality testing, manufacturing procedures, cleaning procedures etc.

All the crude drugs are tested for Microscopic & Macroscopic specifications. Phytochemical Screenings for the presence of Activity Secondary Metabolites viz., Alkaloids, Tannins, Flavonoids etc., and alcohol, water soluble extract, Ash values and Volatile substances. Extracts are tested for description, pH, water soluble extract etc. All the finished products viz., Tablets, Capsules, Syrups, Powders and Ointments are tested for average weights, disintegration time, diameter, thickness, moisture, volume, color sedimentation, taster, pH, clarity etc. OLLhas separate Microbiological Laboratory for testing the Microbial contamination in all the Products.

To ensure quality, our Quality Control Department is well equipped with most sophisticated, ultra-modern chemical, micro-biological and state-of-the-art instrumentation lab and we have modern instruments like:Gas Chromatography, HPLC, FTIR, UV Spectrophotometer, Photo Fluorometer, Dissolution Apparatus, Karl Fischer Titrator, Humidity Control Oven, Colony Counter, D.T. Apparatus, Fumigator, Friability Apparatus, I.R., Moisture Balance, Incubator, Leakage Test Apparatus, Polarimeter, pH Meter, Refracto meter, Zone Reader, Autoclave, Centrifuge Machine etc.

OLL has met GLP(Good Laboratory Practices) standards with the stringent/strict quality control systems as per the rules and regulations of the pharmacopaeal systems.

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In a nutshell, the key elements of Company Quality Assurance System are:

i. Leadership
ii. Training
iii. Design, Construction & Installation
iv. Formula Cards, Specifications and Standards
v. Written Procedures
vi. Validation
vii. House Keeping, Pest Control, Sanitation and Maintenance
viii. Starting materials
ix. Manufacturing operations
x. Packing Operations
xi. Handling & Storage of Finished Products
xii. Laboratory Control
xiii. Process Control
xiv. In-Process and Finished Product release and control
xv. Records
xvi. Self-Improvement Program
xvii. Complaints
xviii. Quality System Results tracking and improvement

Key Managerial Personal who are contributed to growth of OLL as follows

Full Name	DIN//PAN	Designation
GaddamVenkata Ramana	00031873	Managing Director
Jalluri Radhakrishna Panduranga Rao	00294746	Director
Murali Krishna Murthy Sanka	00540632	Managing Director
Mohan Krishna Murthy Sanka	00540705	Wholetime Director
Balaji Venkateswarlu Sanka	02010148	Director
Srinivasakumar Sanka	02010272	Wholetime Director
Satyanarayana Raju Bhupathiraju	02697880	Wholetime Director
Satyanarayana Raju Bhupathiraju	ACEPB4059N	CFO(KMP)
Kavoory Pradyumna Teja	03074013	Director
Seshagiri Tirukkovalluru	06715818	Director
Gopal Reddy Bheemreddy	06716560	Director
Thotakura Uma Sangeetha	08120320	Director
Sharvari Swapnil Shinde	CXVPK1282N	Company Secretary

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The shareholding pattern of OLL as at 31st December, 2018 is as under:

Category of shareholder	No. of fully paid up equity shares held	Shareholding as a % of total no. of shares
Promoter & Promoter Group	59,01,366	34.84%
Public	1,10,39,034	65.16%
Shares underlying DRs	-	-
Shares held by Employee Trust	-	-
Non Promoter-Non Public	-	-
Total	**169,40,400**	**100.00%**

Valuation date& Source of Information

The date of demerger of UNIT-II (API Intermediaries & Bulk Drug Manufacturing Unit) of OLL (Demerger Company) is considered as December 31, 2018. In order to determine the exchange ratio prior to demerger was agreed to value UNIT-II and OLL as on December 31, 2018. The key presentation provided by the management for the purpose of valuation analysis is that the audited financial statements for the year ended March 31, 2018 and unaudited financial statements for the year ended December 31, 2018 are accurate and there will not be any material difference between these estimated statements and actual figures. In addition to these, we have provided the following other information for our valuation analysis.

a) Audited financial statements of OLL for the years ended March 31, 2018.
b) Unaudited financial statements of OLL for the year ending December 31, 2018
c) Projections of both Units of the Company including profit & loss account, balance sheet and cash flow analysis for the financial years ending March 31, 2019 to 2023.
d) Information on business and profile provided by the management of OLL.

We have also obtained necessary explanations and information, which we believed were relevant to the present exercise, from the executive and representatives of OLL. It may be mentioned that OLL has been provided opportunity to review the draft report (excluding our valuation analysis and recommendation) for the current job as part of our standard practice to make sure that factual inaccuracies are avoided in our report.

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II. Business Overview

Financial information

The key financial items of OLL for the year ended 31st December 2018 and 31st March 2018 are shown below:

Key Financial Information: Profit and Loss Account (consolidated): (Rs. In lakhs)

Particulars	As at 31.12.2018	% of Income	As at 31.03.2018	% of Income
Gross Sales Revenue	12089.59	100.00%	8107.52	100.00%
Cost of Sales	9650.76	79.83%	5759.15	71.03%
Employee benefit expense	288.14	2.38%	332.28	4.10%
Marketing & Admin. Exp.	1753.63	14.51%	1430.84	17.65%
EBIDTA	**397.04**	3.28%	**585.25**	7.22%
Depreciation & Amortization	131.03	1.08%	168.55	2.08%
Finance Charges	231.73	1.92%	348.66	4.30%
PBT	**34.28**	0.28%	**68.04**	0.84%
Tax Expenses	80.49	0.67%	0.12	0.00%
PAT	**-46.20**	-0.38%	**67.92**	0.84%

Source: Audited financial statements of OLL

Key Financial Information: Balance Sheet (consolidated): (Rs. In lakhs)

Particulars	As at 31.12.2018	% of Assets	As at 31.03.2018	% of Assets
Source of Funds				
Share Capital	1694.04	53.10%	1694.04	52.87%
Reserves & Surplus	667.56	20.93%	713.77	22.28%
Loan Funds	190.89	5.98%	148.26	4.63%
Deferred tax	299.04	9.37%	252.92	7.89%
Other Non Current Liabilities	338.61	10.61%	395.11	12.33%
Total	**3190.14**	**100.00%**	**3204.10**	**100.00%**
Application of Funds				
Fixed Assets (net block)	2081.38	65.24%	2003.40	62.53%
Capital WIP	16.77	0.53%	40.21	1.25%
Investments	7.92	0.25%	7.84	0.24%
Other Financial assets	104.81	3.29%	99.28	3.10%
Other Non Current assets	21.11	0.66%	11.91	0.37%
Net Current Assets	958.15	30.03%	1041.46	32.50%
Total	**3190.14**	**100.00%**	**3204.10**	**100.00%**

Source: Audited financial statements of OLL

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Financial Analysis

We have carried out a financial analysis of the audited financial statements for the year ended 31st December 2018 and the audited financial statements for the year ended 31st March 2018. OLL's performance mainly depends on sale of formulations and API Intermediates.

Total revenue for the fiscal year Dec 2018 was Rs.12089.59 lakhs as compared to fiscal year March 2018. Total revenue for the fiscal year March 2018 is Rs.8107.52 lakhs.

Cost of Sales is Rs.9650.76 lakhs (79.83% of sales) in the year Dec 2018 as compared to Rs.5759.15 lakhs in fiscal year March 2018 (71.03% of sales) and includes cost of raw materials, cost of services, production staff costs, consumables, wages and other direct expenses.

General Administrative Expenses were Rs.1753.63 lakhs (14.51% of sales) in year Dec 2018 as compared to Rs. 1430.84 lakhs (17.65% of sales) in Year March 2018. They include employee costs, traveling and communication expenses, employee welfare expenses, profession charges and other office maintenance expenses.

Employee Benefit Expenses were Rs. 288.14 lakhs (2.38% of sales) for year Dec 2018 as compared to Rs. 332.28 lakhs (4.10% of sales) in year March 2018.

Operating profits (EBIDTA) of Rs. 397.04 lakhs (3.28% of sales) in the year Dec 2018 as compared to Rs. 585.25 lakhs (7.22% of sales) in Year March 2018.

Depreciation & amortization in year Dec 2018 was Rs.131.03 lakhs (1.08% of sales) as compared to Rs. 168.55 lakhs (2.08% of sales) in year March 2018.

Finance charges in year Dec 2018 were Rs. 231.73 lakhs (1.92 % of sales) as compared to Rs. 348.66 lakhs (4.30% of sales) in year March 2018.

Tax expenses include current income tax, fringe benefit tax and deferred tax. For the year Dec 2018, Provision for tax was Rs.80.49 lakhs (0.67% of sales) as compared to Rs. 0.12 lakhs in year March 2018.

Profit after Tax in year Dec 2018 is Rs. -46.20 as compared to Rs.67.92 lakhs (0.84% of total income) in year March 2018.

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Financial Projections

The financial projections for the year ended 31st March 2019 to 31st March 2023for the both divisions are shown below:

Projections of UNIT-I (Formulations Unit):

(Rs. In Lakhs)

	2018-19	2019-20	2020-21	2021-22	2022-23
Income	808.12	929.33	1,068.73	1,229.04	1,413.40
Expenditure					
1. Operating Cost	408.10	469.31	539.71	620.67	713.77
2. Direct expenses	36.37	41.82	48.09	55.31	63.60
3. Personnel expenses	68.69	78.99	90.84	104.47	120.14
4. Sales & Marketing Exp	2.42	2.79	3.21	3.69	4.24
5. Admn. Expenses	40.41	46.47	53.44	61.45	70.67
6. Other Expenses	121.22	139.40	160.31	184.36	212.01
Total Expenditure	**677.20**	**778.78**	**895.60**	**1,029.94**	**1,184.43**
Profit before Dep, Interest & Tax	**130.91**	**150.55**	**173.13**	**199.10**	**228.97**
Depreciation	21.54	21.54	21.54	21.54	21.54
Profit before Interest & Tax	109.38	129.02	151.60	177.57	207.43
Finance Cost	86.45	85.80	85.15	84.50	83.85
Profit before Taxation	**22.92**	**43.21**	**66.44**	**93.07**	**123.58**
Provision for taxation	6.88	12.96	19.93	27.92	37.07
Profit after Tax	**16.05**	**30.25**	**46.51**	**65.15**	**86.51**

Source: provisional financial statements of UNIT-I

Projections of UNIT-II (API Intermediaries & Bulk Drug Manufacturing Unit):

(Rs. In Lakhs)

	2018-19	2019-20	2020-21	2021-22	2022-23
Income	11,956.23	12,554.04	13,181.74	13,840.83	14,532.87
Expenditure					
1. Operating Cost	9,624.77	10,106.00	10,611.30	11,141.87	11,698.96
2. Direct Expenses	597.81	627.70	659.09	692.04	726.64
3. Personnel Exp	239.12	251.08	263.63	276.82	290.66
4. Sales & Marketing Exp	119.56	125.54	131.82	138.41	145.33
5. Admn. Expenses					

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	956.50	1,004.32	1,054.54	1,107.27	1,162.63
6. Other Expenses	119.56	125.54	131.82	138.41	145.33
Total Expenditure	11,657.32	12,240.19	12,852.20	13,494.81	14,169.55
Profit before Dep, Interest & Tax	**298.91**	**313.85**	**329.54**	**346.02**	**363.32**
Depreciation (SLM)	109.50	109.50	109.50	109.50	109.50
Profit before Interest & Tax	189.41	204.35	220.05	236.52	253.82
Finance Cost	137.87	137.87	137.87	137.87	137.87
Profit before Taxation	**51.54**	**66.48**	**82.18**	**98.65**	**115.95**
Provision for taxation	33.40	38.78	44.43	50.36	56.59
Profit after Tax	**18.14**	**27.71**	**37.75**	**48.30**	**59.37**

Source: provisional financial statements of UNIT-II

III. Valuation Analysis

Valuation Methodology

Valuation of the enterprise or its equity shares is not an exact science and ultimately depends upon what it is worth to a serious investor or buyer who may be even prepared to pay goodwill. This exercise may be carried out using generally accepted methodologies, the relative emphasis of each often varying with the factors such as:

- Specific nature of the business,
- Listing and liquidity of the equity,
- Economic life cycle in which the industry or the company is operating and
- Extent to which and comparable company information is available.

The results of this exercise could vary significantly depending upon the basis used, the specific circumstances and professional judgment of the valuer. In respect of going concerns, certain valuation techniques have evolved over time and are commonly in vogue. In this regard, we have evaluated suitability of four commonly used approaches of valuation to determine the fair value of two companies. After arriving at the values based on appropriate methods, we have assigned weightings to these methods to determine the fair value for the two divisions.

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1) **Net Assets Method (NAV):**

The value arrived at under this approach is based on the audited financial statements of the business and may be defined as Shareholder's Funds or Net Assets owned by the business. The Net Assets Value is generally used as the minimum break-up value for the transaction. This methodology calculates the underlying net Assets of the business, either on a book value basis or realizable value basis or replacement cost basis. We have used the book value basis to estimate the value of two Units.

2) **Discounted Cash Flow Method (DCF):**

The DCF method uses the future free cash flows of the division discounted by the weighted average cost of capital to arrive at the present value. In general, the DCF method is a strong and widely accepted valuation tool, as it concentrates on cash generation potential of a business, considering that this method is based on future potential and is widely accepted, we have included this approach in the valuation exercise.

Using the DCF analysis involves determining the following:

Estimating future free cash flows:

Free cash flows are the expected to be generated by the company that is available to all provides of the company's Capital-both debit and equity.

Appropriate discount rate to be applied to cash flows i.e., the cost of capital

This discount rate, which is applied to the free cash flows, should reflect the opportunity cost to all the capital providers (namely share holders and Lenders), weighted by their relative contribution to the total capital of the company. The opportunity cost to the equity capital provider equals the rate of Return the capital provider expects to earn on other investments of equivalent risk.

To the values so obtained from DCF analysis, the amount of loans has to be adjusted to arrive at the total value available to the equity shareholders. The total value for equity shareholders is then divided by the total number of equity shares in order to work out the value per equity share of the company.

Valuation Analysis: UNIT-I

We have carried out the valuation analysis as described above, based on the fundamental assumption of going concern for the business under consideration. The detailed analysis and the assumptions made these purpose are given below;

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Method 1: Net Asset Value Method (NAV)

In order to assess the NAV of UNIT- I, we have used the Audited financial statements of two units for the Year ended 31st Dec 2018. The value arrived under this approach using the shareholders funds of Net Assets owned by the business as at 31st Dec 2018 is Rs.29.10 lakhs.

PARTICULARS	Rs. In Lakhs	Rs. In Lakhs
Fixed Assets (Tangible and intangible)	1,523.28	
Capital work in progress	-	
Total fixed assets (Net)		1,523.28
Investments		0.08
Non Current assets		2.09
Other Financial assets		0.10
Current Assets		
Net Current assets		(122.94)
Total Assets		**1,402.60**
Borrowings		
Secured Loans	80.37	
Un Secured Loans	34.67	
Deferred tax liability	149.52	
Total borrowings		264.56
Net worth - unadjusted		**1,138.05**
Less: Contingent liabilities		-
Less: Misc. expenses (goodwill)		1,108.95
NET ASSET VALUE		**29.10**

Source: Audited financial statements of UNIT-I

Method 2: Discounted Cash Flow Method (DCF)

Estimated Free Cash Flows:

For the purpose of valuation exercise, we have considered a seven years projected period i.e. from the financial year 2019 to 2023.

The cash flow projection as on a free cash flow to equity (FCFE) basis is summarized below:

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Particulars	Projected as on 31st March				
	2019	2020	2021	2022	2023
Free Cash Flow	122.90	127.97	148.74	147.77	160.10
Year	1	2	3	4	5
Disc Factor	0.8929	0.7972	0.7118	0.6355	0.5674
Present Value of Cash Flows	**109.73**	**102.02**	**105.87**	**93.91**	**90.84**

Source: Provisional financial statements of UNIT-I

Valuation assumptions

Discounting factor

The discounting factor considered for arriving the present value of the free cash flows to the equity is cost of equity, since the free cash flows to equity shareholders are estimated. The cost of equity computed using the Capital Assets Pricing Model (CAPM) using the formula;

$Ke = rf + \beta(rm - rf)$ where
Ke = Cost of Equity
Rf = Risk Free Return
Rm = Market Price of Return and
B(beta) = Measure of Market Risk

Risk free rate of return has been estimated on 10 year Indian Government bond yield, market return is based on the return from Indian stock market index over a long term historical period and beta coefficient is based on companies stock being traded in Bombay Stock Exchange against the Sensex for the last year. Based on the above we have worked out the discount factor for UNIT-I as 0.56. The calculations of discounting factor are given below:

Risk free rate of return	8.30%
Beta	1.00
Market rate of return	12.00%
Cost of Debt	13.50%
Discounting Factor (Terminal Value)	0.56

Terminal Value

The terminal value refers to the present value of the business as a going concern basis beyond the period of projections up to perpetuity. This value is estimated taking into business growth rates as well estimated growth rates of the industry and economy. Based on the factors specific to the company as mentioned above, the free cash flow to the equity shareholders after considering all terminal value is Rs.1009.38 lakhs.

Valuation Analysis: UNIT-II

We have carried out the valuation analysis as described above, based on the fundamental assumption of going concern for the business under consideration. The detailed analysis and the assumptions made these purpose are given below:

Method 1: Net Asset Value Method (NAV)

In order to assess the NAV of UNIT-II, we have used the Audited financial statements for the quarter ended 31st Dec 2018. The estimated value arrived under this approach using the shareholders funds of Net Assets owned by the business as at 31st Dec 2018 is Rs.2427.42 lakhs.

PARTICULARS	Rs. In Lakhs	Rs. In Lakhs
Total fixed assets	1,667.06	
Capital work in progress	16.77	
Total fixed assets (Net)		1,683.83
Investments		7.84
Non Current assets		19.03
Other Financial assets		71.41
Current Assets		
Net Current assets		1,184.00
Total Assets		**2,966.11**
Borrowings		
Secured Loans	110.53	
Un Secured Loans	278.63	
Deferred tax liability	149.52	
Total borrowings		538.69
Net worth - unadjusted		**2,427.42**
Less: Contingent liabilities		-
Less: Misc. expenses		-
NET ASSET VALUE per share (INR)		**27.56**

Source: Audited financial statements of UNIT-II

Method 2: Discounted Cash Flow Method (DCF)

Estimated Free Cash Flows:

For the purpose of valuation exercise, we have considered a Seven years projected period i.e. from the financial year 2019 to 2023.

The cash flow projection on a free cash flow to equity (FCFE) basis is summarized below:

Particulars	Projected as on 31st March				
	2019	2020	2021	2022	2023
Free Cash Flow	29.81	150.65	189.81	163.90	115.50
Year	1	2	3	4	5
Disc Factor	0.8929	0.7972	0.7118	0.6355	0.5674
Present Value of Cash Flows	26.62	120.10	135.10	104.16	65.54

Source: Provisional financial statements of UNIT-II

Valuation assumptions

Discounting factor

The discounting factor considered for arriving the present value of the free cash flows to the equity is cost of equity, since the free cash flows to equity shareholders are estimated. The cost of equity computed using the Capital Assets Pricing Model (CAPM) using the formula;

Ke = rf + β(rm – rf) where
Ke = Cost of Equity
Rf = Risk Free Return
Rm = Market Price of Return and
B(beta) = Measure of Market Risk

Risk free rate of return has been estimated on 10 year Indian Government bond yield, market return is based on the return from Indian stock market index over a long term historical period and beta coefficient is based on companies stock being traded in Bombay Stock Exchange against the Sensex for the last year. Based on the above we have worked out the discount factor for UNIT-II as 0.56. The calculations of discounting factor are given below:

Risk free rate of return	8.30%
Beta	1.00
Market rate of return	12.00%
Cost of Debt	13.50%
Discounting Factor (terminal Value)	0.56

Terminal Value

The terminal value refers to the present value of the business as a going concern basis beyond the period of projections up to perpetuity. This value is estimated taking into business growth rates as well estimated growth rates of the industry and economy. Based on the factors specific to the company as mentioned above, the free cash flow to the equity shareholders after considering all terminal value is Rs.728.19 lakhs.

Exchange Ratio

We have assigned weights to NAV & DCF methods to arrive at the average values of equity share of the Unit-I and UNIT-II. We have given the Net Asset Value method a weight of 25% as both the Units and 75% weights given for Discounted Cash Flow method as while it takes into consideration future business potential, it is based on forecast.

Particulars	UNIT-I			UNIT-II		
	Weight	Value of the Business	Value of the Business	Weight	Value of the Business	Value of the Business
Net Assets Value method	0.25	29.10	7.27	0.25	2,427.42	606.86
Discounted Cash Flow method	0.75	1,424.03	1,068.02	0.75	907.14	680.35
Value of the Business	**1.00**		**1,075.30**	**1.00**		**1,287.21**
No. of equity shares outstanding			81.31			88.09
Value per share			**13.22**			**14.61**

Based on our valuation of both Units and on a consideration of all the relevant factors and circumstances as discussed and outlined hereinabove, upon scheme become effective the share holder of 100 equity shares of the nominal value of Rs. 10/- each in OLL will get 48 equity shares of nominal value of Rs.10/- each in OLL (Demerger Company) and 52 equity shares of the nominal value of Rs.10/- each in ((Resulting Company) (API Intermediaries & Bulk Drug Manufacturing Unit))).

IV. Conclusion

Effective date of Valuation:

The effective date of valuation is **December 31, 2018**.

Standard (Definition) of Value:

The Standard of Value is "Fair Market Value". As defined by Statement on Standards for Valuation
Services Issued by the IGAAP, "the Fair Market Value is-

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- The price, expressed in terms of cash equivalents
- At which property would change hands
- Between a hypothetical willing and able buyer and a hypothetical willing and able seller
- Acting at arms length in an open and unrestricted market,
- When neither is under compulsion to buy or sell and

When both have reasonable knowledge of the relevant facts

Premise of Value:

The Premise of Value is "as a going concern".

Our opinion of Fair Market Value relies on a "value in use" or "going concern" premise, which assumes that the Company is an ongoing business enterprise with management operating in a rational way with a goal of maximizing shareholder value.

The valuation assumes that the Company will continue to operate as a going concern, and that the character of its present business will remain intact.

The Income approach evaluates the value of the Company on the basis of its business stream and its ability to serve the demand.

V. Scope of Limitations

Valuation analysis and results are specific to the purpose of valuation and the valuation date mentioned in the report as agreed per terms of our engagement. It may not be valid for any other purpose or as at any other date. Also, it may not be valid if done on behalf of any other entity.

Valuation analysis and results are also specific to the date of this report. A review of this nature involves consideration of various factors including those impacted by prevailing stock market trends in general and industry trends in particular. As such, our review results are, to a significant extent, subject to continuance of current trends beyond the date of the report. We, however, have no obligation to update this report for events, trends or transactions relating to the companies or the market/economy in general and occurring subsequent to the date of this report.

In the course of the review, we were provided with both written and verbal information, including market, technical, financial and operating data. We have however, evaluated the information provided to us by the companies through broad inquiry, analysis and review (but not have carried out a due diligence or audit of the companies for the purpose of this engagement, nor have we independently investigated or otherwise verified the data provided).

M. MADHUSUDHANA REDDY IBBI RV/057 2019/10954

...ough the above evaluation, nothing has come to our attention to indicate that the ...formation provided was materially misstated / incorrect or would not afford reasonable grounds upon which to base the report. We do not imply and it should not be constructed that we have verified any of the information provided to us, or that our inquiries could have verified any matter, which a more extensive examination might disclose. The terms of our engagement were such that we were entitled to rely upon the information provided by the companies without detailed inquiry. Also, we have been given to understand by the Management that they have not omitted any relevant and material factors. Our conclusions are based on these assumptions, forecasts and other information given by/on behalf of the companies.

No investigation of the companies claim to title of assets has been made for the purpose of this review 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 matter of a legal nature.

We have not conducted or provided an analysis or prepared a model for any asset valuation and have wholly relied on information provided by the companies in that regard.

We owe responsibility to only Board of Directors of OLL, which has retained us and nobody else.

We do not accept any liability to any third party in relation to the issue of this report.

M. MADHUSUDHANA REDDY
IBBI / RV / 05 / 2019 / 10954
Registered Valuer (SFA)

CA. M Madhusudhana Reddy
Registered Valuer
Reg. No. IBBI/RV/05/2019/10954

Place: Hyderabad
Date: 13th April 2019.

M. MADHUSUDHANA REDDY., B.Com., FCA, Cert. FAFD & IP
Insolvency Professional & Registered Valuer
(Reg. Under Insolvency & Bankruptcy Code 2016 with IBBI) (Securities or Financial Assets)
Reg. No. IBBI/IPA-001/IP-P00843/2017-18/11427 Reg. No.IBBI / RV / 05 / 2019 / 10954

To
The Manager
Listing Department,
National Stock Exchange of India Ltd/BSE Limited,
Mumbai.

Sub: Valuation Report of M/s. Ortin Laboratories Limited (OLL)

This has reference to the draft scheme arrangement (De-merger) filed with stock exchanges in the case of M/s. Ortin Laboratories Limited (OLL), we herewith provide the valuation report workings, relative fair market value per share and fair exchange ratio in the following:

Computation of Fair Share Exchange Ratio:

Valuation approach	**Formulation divisions (Unit –I)**		**Formulation divisions (Unit –II)**	
	Value per share	**Weight**	**Value per share**	**Weight**
Net Assets Value method	0.09	25%	6.89	25%
Discounted Cash Flow method	13.13	75%	7.72	75%
Market Approach	-	-	-	-
Relative Value per share	**13.22**	**100%**	**14.61**	**100%**
Exchange Ratio	**48:52**			

a. Market approach is not applicable asit is scheme for De-merger. The trading price of the company can't be bifurcated between the Unit –I & Unit-II.
b. Detailed Valuation Report under Point III has specified Valuation Methodologies and Analysis.

Yours Faithfully,

M. MADHUSUDHANA REDDY IBBI/ RV / 05 / 2019 / 10954 Registered Valuer (SFA)

CA. M Madhusudhana Reddy
Registered Valuer
Reg. No. IBBI/RV/05/2019/10954

Place: Hyderabad
Date: 13.04.2019

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