

VALUATION REPORT

Scheme of Reduction of Equity Share Capital
between Supreme Petrochem Limited and Its
Shareholders

Abstract
Scheme of Reduction of Equity Share Capital between Supreme Petrochem Limited
and Its Shareholders under Section 66 and other applicable provisions of the
Companies Act, 2013 as amended and rules framed thereunder

CA Hitendra Ranka [FCA, RV (IBBI) - S&FA, DISA (ICAI), B.Com]



CA Hitendra Ranka

IBBI Registered Valuer
Asset Class: Securities or Financial Assets
Reg. No.: IBBI/RV/06/2019/11695

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Dated: March 12, 2021

To,

The Board of Directors

Supreme Petrochem Limited
Solitaire Corporate Park,
Bldg. No.11, 5th Floor, 167,
Guru Hargovindji Marg, Chakala,
Andheri (East), Mumbai - 400093.
Maharashtra.

Dear Sir(s) / Madam(s),

Sub: Fair Value of Equity Shares of the Company for the proposed reduction of paid-up equity share capital of Supreme Petrochem Limited

I, Hitendra Ranka ("Valuer" or "I" or "me"), have been appointed vide engagement letter dated March 9, 2021 to recommend fair value of the equity shares of the Supreme Petrochem Limited ("Supreme" or "the Company") pursuant to the proposed Scheme of Reduction of paid-up equity share capital under the provisions of section 66 of the Companies Act, 2013 and other applicable provisions, if any, read with the National Company Law Tribunal (Procedure for Reduction of Share Capital of Company) Rules, 2016 for reorganization and reduction of share capital ("Proposed Scheme").

I believe that my analysis must be considered as a whole. Selecting portions of my analysis or the factors I considered, without considering all factors and analysis together could create a misleading view of the process underlying the valuation conclusions. The preparation of a valuation is a complex process and is not necessarily susceptible to partial analysis or summary description. Any attempt to do so could lead to undue emphasis on any particular factor or analysis.

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This letter should be read in conjunction with the attached report.

Thanking you,
Yours Faithfully,



Hitendra Ranka

Registered Valuer

Asset Class: Securities or Financial Assets

Registration No. IBBI/RV/06/2019/11695

Place: Ahmedabad

Date: 12 March 2021

UDIN: 21157129AAAAAI1890



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1. BACKGROUND & RATIONALE OF THE SCHEME OF REDUCTION OF SHARE CAPITAL

BACKGROUND

- 1.1 The Scheme of Reduction of Equity Share Capital (“the Proposed Scheme”) as more particularly defined hereinafter is under the provisions of section 66 of the Companies Act, 2013 and other applicable provisions, if any, read with the National Company Law Tribunal (Procedure for Reduction of Share Capital of Company) Rules, 2016 for reorganization and reduction of share capital.
- 1.2 The proposed scheme provides for reduction of equity share capital of Supreme Petrochem Limited (“Supreme” or “the Company”) by reducing the face value of paid-up equity shares of the Company from the existing Rs. 10/- (Rupees Ten Only) per equity share to such amount as may be approved by the Board of Directors of the Company by returning the balance amount to all the equity shareholders of the Company.
- 1.3 Effective Date means the date on which the certified copy of the order of the Tribunal sanctioning this proposed scheme is filed with the Registrar of Companies at Mumbai by the Company. Record Date means the date, after the Effective Date, as may be decided by the Board of Directors of the Company for the purpose of giving effect to the order of the Tribunal sanctioning the Scheme.
- #### RATIONALE OF THE SCHEME
- Based on the information and explanations received from the management and representatives of the Company as well as on my perusal of the proposed scheme following rationales and benefits can be listed for the proposed reduction of share capital:
- 1.4 Supreme has been growing and has rewarded its shareholders through regular dividend pay-out and buy-backs of equity shares in past.
- 1.5 As on September 30, 2020, the Company has cash and cash equivalent and liquid resources amounting to INR 409.58 crores which mainly includes Cash and Bank balances as well as Investments in Debt Scheme of Mutual Funds. Further, the Company has enough resources to meet its future growth requirements.
- 1.6 The management of the Company, after review of the its current reserves, future revenues, expansion plans and capex thereto is of opinion of that the paid-up equity share capital of the Company is in excess of its requirements of the funds and accordingly, it is proposed to pay off the excess paid up share capital, lying idle and unused by the Company, by returning such amount per

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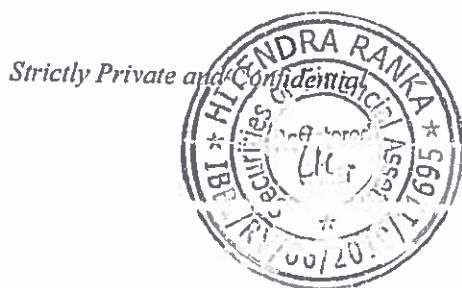
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- equity share to all the shareholders of the Company, as may be approved by the Board of Directors of the Company..
- 1.7 The Company will have more efficient capital structure and the shareholders will also benefit in terms of enhanced return on equity, return on net worth and dividend yield etc.
 - 1.8 The reduction of the paid-up equity share capital will not result in any change in the proportion of shareholding of the members of the Company and would not in any way have any adverse effect on the Company's ability to honor its commitments or meet its obligations in the ordinary course of business.
 - 1.9 The excess capital, lying idle and unused by the Company, will be returned to all the shareholders of the Company in a proportion of their shareholding as on the record date, as may be fixed by the Board. This will result in reflection of an accurate financial position of the Company and excess and unwanted share capital will be returned to the equity shareholders.
 - 1.10 The Scheme does not include splitting of shares but is only a reduction in the face value of the equity shares of the Company. i.e., one equity share of Rs. 10/- will become one equity share of such amount as may be approved by the Board of Directors of the Company after returning balance amount per equity share to all the equity shareholders of the Company and the amount required for reduction of capital will be met out of the cash or cash equivalents or liquid resources of the Company.

2. BACKGROUND OF THE COMPANY

Supreme Petrochem Limited is a Public Limited Company, incorporated on December 14, 1989 in the State of Maharashtra under the provisions of the Companies Act, 1956 vide a Certificate of Incorporation bearing no. 11- 54633 of 1989 dated 14th December 1989. The Corporate Identification Number (CIN) of the Company is L23200MH1989PLC054633 and its Registered Office is situated at Solitaire Corporate Park, Bldg. No.11, 5th Floor, 167, Guru Hargovindji Marg, Chakala, Andheri (East), Mumbai - 400093. The Company is, inter-alia, engaged in the manufacturing of polystyrene, expandable polystyrene, specialty polymer and compounds and extruded polystyrene.

The Equity Shares of the Company are listed and traded on BSE Limited ("BSE") with scrip code - 500405 and National Stock Exchange of India Limited ("NSE") with scrip symbol - SUPPETRO.





3. CAPITAL STRUCTURE & SHAREHOLDING PATTERN

The Share capital of the Company as on December 31, 2020 is as under:

Particulars	Amount in INR (in Crores)
Authorized share capital	
12,50,00,000 Equity shares of Rs. 10/- each	125.00
2,50,00,000 Redeemable Cumulative Preference Shares of Rs. 10/- each	25.00
Total	150.00
Issued, Subscribed and Paid-up Share Capital	
9,40,20,671 Equity Shares of Rs. 10/- each	94.02
Total	94.02

The Shareholding pattern of the Company as on December 31, 2020 is as under:

Particulars	Shareholding as a % of Total no. of shares
Promoter & Promoter Group	63.96%
Public	36.04%
Total	100.00%

There has been no other change in the Issued, Subscribed and Paid-up Share Capital of the Company subsequent to December 31, 2020 till the date of approval of this Scheme by the Board.

4. CONTEXT AND PURPOSE

As informed to me by management of the Company and based on my perusal of the Scheme, I understand that pursuant to the Scheme and all the necessary approvals and fulfillment of conditions as specified in the Scheme, I am appointed to recommend a fair value of the equity shares of the Company as required by Para I(A)(4) of Circular No. CFD/DIL3/CIR/2017/21, dated March 10, 2017 issued by Securities and Exchange Board of India ("SEBI") where a listed company proposing any scheme of arrangement / amalgamation / merger / reconstruction / reduction of capital.

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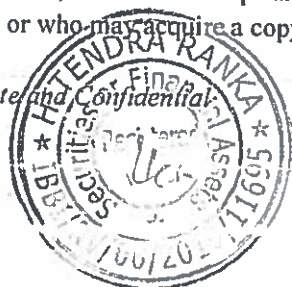
5. REGISTERED VALUER

I am a fellow member of The Institute of Chartered Accountants of India ('ICAI') practicing as a partner with Ranka & Associates, Chartered Accountants. I am 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/06/2019/11695. I have been hereinafter referred to as 'Valuer' or 'I' or 'me' in this Report ('Valuation Report' or 'Report').

6. CONDITIONS, MAJOR ASSUMPTIONS, EXCLUSIONS AND LIMITATIONS

- 6.1 I have not audited, reviewed, or compiled the financial statements of the Supreme and express no assurance on them. I acknowledge that I have no present or contemplated financial interest in the Company. My fee for this valuation is based upon normal billing rates, and not contingent upon the results or the value of the business or in any other manner. I have no responsibility to modify this report for events and circumstances occurring subsequent to the date of this report.
- 6.2 I have, however, used conceptually sound and generally accepted methods, principles and procedures of valuation in determining the value estimate included in this report. The valuation analyst, by reason of performing this valuation and preparing this report, is not to be required to give expert testimony nor to be in attendance in court or at any government hearing with reference to the matters contained herein, unless prior arrangements have been made with the valuation professional regarding such additional engagement.
- 6.3 This report, its contents, and analysis herein are specific to i) the purpose of valuation agreed as per the terms of my engagement, ii) the report date and iii) are based on the financial statements of the Company for the six months ended on September 30, 2020.
- 6.4 The management of the Company have represented that the business activities of the Company have been carried out in the normal course between September 30, 2020 and the Report date and that no material changes have occurred in their respective operations and financial position between September 30, 2020 and the Report date.
- 6.5 This report and the information contained herein are absolutely confidential and are intended for the use of management and representatives of the Company for providing selected information and only in connection with purpose mentioned above or for sharing with shareholders, creditors, Regional Directors, Registrar of Companies, NCLT and office of other regulatory or statutory authorities. It should not be copied, disclosed, circulated, quoted or referred to either in whole or in part, in correspondence or in discussion with any other person except to whom it is issued without my written consent. In the event, the Company or their management or their representatives intend to extend the use of this report beyond the purpose mentioned earlier in this report, with or without my consent, I will not accept any responsibility to any other party to whom this report may be shown or who may acquire a copy of the report.

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6.6 I have not attempted to confirm whether all assets of the business of the company are free and clear of liens and encumbrances, or that the owner has good title to all the assets. I have also assumed that the business of the Company will be operated prudently and that there are no unforeseen adverse changes in economic conditions affecting the business, the market, or the industry.

6.7 I have been informed by management of Company that there are no environmental or toxic contamination problems, any significant lawsuits, or any other undisclosed contingent liabilities which may potentially affect the business of company, except as may be disclosed elsewhere in this report. I have assumed that no costs or expenses will be incurred in connection with such liabilities, if any.

6.8 This report is based on the information received from the sources mentioned herein and discussions with the representatives of the Company. I have assumed that no information has been withheld that could have influenced the purpose of my report.

7. VALUATION DATE

The valuation analysis pursuant to the Proposed Scheme, for the purpose of this report, is carried out as at March 12, 2021.

8. PREMISE OF VALUE

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

9. SOURCES OF INFORMATION

For the purpose of the report, following documents, and/or information published or provided by the management and representatives of the Companies have been relied upon:

From the Management

9.1 Brief history & brief note on the business profile of the Company.

9.2 Capital structure and Shareholding pattern as of December 31, 2020.

9.3 Draft Scheme of Reduction of Share Capital.



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- 9.4 Discussion with the management of the Company and representatives of the Company including necessary information, explanations and representations provided by the management and representatives of the Company.
- 9.5 Management representation letter dated March 12, 2021.

From publicly available sources

- 9.6 Financial statements for the six months ended on September 30, 2020 are taken from Company's website.
- 9.7 Dividend history of the Company for last ten years as stated in the performance highlights section of the Annual Report of the company for F.Y. 2019-20 and as available on Company's website.
- 9.8 Shares Buy-back history – for buy-back in FY 2020-21 (Company's website Daily cumulative buy back report), for buy-back in FY 2014-15 (Post buy back public announcement - https://www.sebi.gov.in/sebi_data/attachdocs/1415788066330.pdf) and for buy-back in FY 2008-09 and FY 2009-10 (as per details provided by the Company as well as on perusal of the Annual Reports of the Company for these years)

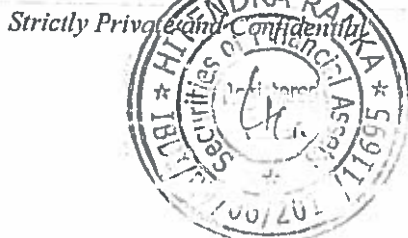
10. VALUATION STANDARDS

The Report has been prepared in compliance with the Valuation standards adopted by ICAI Registered Valuers Organisation.

11. PROCEDURES ADOPTED

In connection with this exercise, I have adopted the following procedures to carry out the valuation of the Company:

- 11.1 Requested and received information as stated in Sources of Information section in this Report.
- 11.2 Obtained data available in public domain.
- 11.3 Discussion (Physical/over call) with the respective management and representatives of the Company to understand relevant aspects that may impact the valuation.
- 11.4 Sought various clarifications from the respective management and representatives of the Company based on my review of information shared and my analysis.



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11.5 Recommendation on the proposed reduction of the capital based on the verification of the information as stated above in point # 9.

12. RELEVANT EXTRACTS FROM SEBI MASTER CIRCULAR AND MY OPINION ON THE VALUATION REQUIREMENT FOR THE PROPOSED SCHEME

Relevant extracts vide Master Circular SEBI/HO/CFD/DIL1/CIR/P/2020/249 on (i) Scheme of Arrangement by Listed Entities and (ii) Relaxation under Sub-rule (7) of rule 19 of the Securities Contracts (Regulation) Rules, 1957 issued by SEBI dated December 22, 2020 for my analysis is as under:

- 12.1 *Part I.A.4(a)* All listed entities are required to submit a valuation report from a Registered Valuer. For the purpose of this clause, the Registered Valuer shall be a person, registered as a valuer, having such qualifications and experience and being a member of an organization recognized, as specified in Section 247 of the Companies Act, 2013 read with the applicable Rules issued thereunder.
- 12.2 *Part I.A.4(b)* However, Valuation Report is not required in cases where there is no change in the shareholding pattern of the listed entity / resultant company.
- 12.3 *Part I.A.4(c)* For the limited purpose of this Circular, 'change in the shareholding pattern' shall mean;
- i) change in the proportion of shareholding of any of the existing shareholders of the listed entity in the resultant company; or
 - ii) new shareholder being allotted equity shares of the resultant company; or
 - iii) existing shareholder exiting the company pursuant to the Scheme of Arrangement.
- 12.4 As per the proposed scheme, Supreme proposes to pay back the excess equity share capital by reducing a fixed percentage (ranging from 40% to 80%) of the paid-up equity share capital of the Company by way of cancelling and extinguishing a fixed percentage (ranging from 40% to 80%) of the paid-up value of the Equity Shares by returning a fixed amount (ranging from (Rs. 4/- to Rs. 8/- respectively) per equity share to all the equity shareholders, as may be approved by the Board of Directors of the Company.
- 12.5 As the amount to be returned is a fixed number (ranging from Rs. 4/- to Rs. 8/-) per equity share as may be approved by the Board of Directors of the Company and is a portion of face value of equity share i.e. Rs. 10/-, no valuation for this specific purpose, in my opinion, is required since this does not lead to –
- (i) Any change in the proportion of shareholding of any of the existing shareholders of Company
 - (ii) No new shareholders are being allotted equity shares and
 - (iii) No existing shareholder is exiting the Company pursuant to the scheme.

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13. OPINION ON THE RATIONALE OF THE SCHEME

13.1 With a view to assist management of the Company to make an informed recommendation, based on my verification of the information as stated in point #9 above and based on the explanations and information received from the management of the Company, following things can be precluded:

- The Authorized Share Capital of the Company is INR 150 crores consisting of 12.50 crores equity shares of Rs. 10/- each and 2.50 crores Redeemable, Cumulative Preference Shares of Rs. 10/- each.
- The Issued, subscribed and paid-up equity capital of the Company is INR 94.02 crores consisting of 9.40 crore shares.
- The free reserves of the Company are INR 576.23 crores (primarily includes General Reserve and Retained Earnings balance).
- The liquid assets of the Company are INR 409.58 crores as at September 30, 2020 (primarily includes Cash and Bank balances and Investments in Debt Scheme of Mutual Funds. As informed to me by management of the Company, there is no significant movement in this balance from September 30, 2020 to Report date.
- Dividend pay-out (Interim and Final) for the Company is in the range of 25% to 40% in last five years.
- Company has historically bought-back shares as under:

Company's Historical buy-back of shares summary

Year	Bought back no. of shares	Average Buyback price	Total Bought back amount (in INR crores)
FY 2019-20	2,481,287	185	45.90
FY 2014-15	336,655	65.12	2.19
FY 2008-09 & FY 2009-10	1,537,907	12.62	1.94
Total	4,355,849		50.03

- Also, there is net current assets balance of INR 370.20 crores as at September 30, 2020 (before giving effect of proposed capital reduction).



13.2 Based on the above points, it can be considered that the proposed scheme will not have any effect on any of the Company's creditors / banks / financial institutions. The reduction of capital would not in any way have any adverse effect on the Company's ability to honour its commitments or meet its liabilities in the ordinary course of business.

14. CAVEATS

14.1 Provision of valuation recommendations and considerations of the issues described herein are areas of my regular corporate advisory practice. The services do not represent accounting, assurance, financial due diligence review, consulting, transfer pricing or domestic/international tax-related services that may otherwise be provided by me.

14.2 My review of the affairs of the Company and its books and account does not constitute an audit in accordance with Auditing Standards. I have relied on explanations and information provided by the Management and representatives of the Company and accepted the information provided to me as accurate and complete in all respects. Although, I have reviewed such data for consistency and reasonableness, I have not independently investigated or otherwise verified the data provided. Nothing has come to my attention to indicate that the information provided had material misstatements or would not afford reasonable grounds upon which to base the Report.

14.3 The report is based on the details and information provided to me by the Management and representatives of the Supreme and thus the responsibility for the assumptions on which they are based is solely that of the Management of the Company and I do not provide any confirmation or assurance on these assumptions. Similarly, I have relied on data from external resources. These sources are considered to be reliable and therefore, I assume no liability for the accuracy of the data. I have assumed that the business continues normally without any disruptions due to statutory or other external/internal occurrences.

14.4 The valuation worksheets prepared for the exercise are proprietary to the valuer and cannot be shared except as stated in the purpose statement of this document. Any clarifications on the workings will be provided on request, prior to finalizing the Report, as per the terms of my engagement.

14.5 The scope of my work has been limited both in terms of the areas of the business and operations which I have reviewed and the extent to which I have reviewed them.

14.6 The Valuation Analysis contained herein represents my recommendation only on the date that is specifically stated in this Report. This Report is issued on the understanding that the Management of the Company has drawn my attention to all matters of which they are aware, which may have an impact on my Report up to the date of signature. I have no responsibility to update this Report for events and circumstances occurring after the date of this Report.



14.7 My valuation analysis should not be construed as investment advice; specifically, I do not express any opinion on the suitability or otherwise of entering into any transaction with the Company.

15. VALUATION AND CONCLUSION

15.1 Based on the foregoing information, considerations and steps followed, as the amount to be returned pursuant to proposed reduction of capital is a fixed number (ranging from Rs. 4/- to Rs. 8/-) per equity share as may be approved by the Board of Directors of the Company and is a portion of face value of equity share i.e. Rs. 10/-, no valuation for this specific purpose, in my opinion, is required since this does not lead to –

- Any change in the proportion of shareholding of any of the existing shareholders of Company
- No new shareholders are being allotted equity shares and
- No existing shareholder is exiting the Company pursuant to the scheme.

15.2 The management of the Company has indicated that the Company proposes to reduce the face value of the paid-up equity shares of the Company, from the existing Rs. 10/- per equity share to a fixed amount (ranging from Rs. 6/- to Rs. 2/-) per equity share by returning to all the equity shareholders as on the Record Date a fixed amount (ranging from Rs. 4/- to Rs. 8/- respectively) per equity share as may be approved the Board of Directors of the Company. At the upper end of the reduction of the face value as indicated above, this would result in the reduction of the paid-up equity share capital by an amount of Rs. 75.22 crore (rounded off to two decimal).

15.3 Further, based on observations listed in Point #13 above, I, report that –

“The proposed reduction of the face value of the paid-up equity shares of the Company, from the existing Rs. 10/- per equity share to a fixed amount (ranging from Rs. 6/- to Rs. 2/-) per equity share by returning to all the equity shareholders of the Company as on the Record Date, proportionately without any discrimination among the equity shareholders, a fixed amount (ranging from Rs. 4/- to Rs. 8/- respectively) per equity share, as may be approved by the Board of Directors of the Company, is justified and equitable”

Respectfully submitted,

Hitendra Ranka
Registered Valuer
Asset Class: Securities or Financial Assets
Registration No. IBBI/RV/06/2019/11695
Place: Ahmedabad
Date: 12 March 2021
UDIN: 21157129AAAAAI1890

