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**STRICTLY PRIVATE & CONFIDENTIAL**

12 Nov 2020

**The Audit Committee / Board of Directors**

**EPL Limited**

Top Floor, Times Tower,  
Kamla City, Senapati Bapat Marg,  
Lower Parel, Mumbai – 400013

**The Board of Directors**

**Creative Stylo Packs Private Limited**

205, R.C Church Compound  
Dr. Ambedkar Road,  
Dadar, Mumbai – 400014

Dear Sir(s) / Madam(s),

**Sub: Recommendation of fair equity share exchange ratio for the proposed amalgamation of Creative Stylo Packs Private Limited with EPL Limited**

We refer to the engagement letter dated 23 Oct 2020 whereby we, SSPA & Co., Chartered Accountants (hereinafter referred to as 'SSPA' or 'Valuer' or 'We'), have been appointed by EPL Limited (hereinafter referred to as 'EPL' or the 'Transferee Company') and Creative Stylo Packs Private Limited (hereinafter referred to as 'CSPPL' or the 'Transferor Company'), to issue a report containing recommendation of fair equity share exchange ratio for the proposed amalgamation of CSPPL with EPL ('hereinafter referred to as 'Proposed Amalgamation').

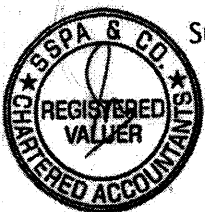
EPL and CSPPL are hereinafter collectively referred to as the 'Companies'.

**1. SCOPE AND PURPOSE OF THIS REPORT**

1.1 We have been informed by the management of EPL and of CSPPL (hereinafter collectively referred to as the 'Management') that they are considering a proposal of amalgamation of CSPPL with EPL, pursuant to a scheme of arrangement under sections 230 to 232 and other applicable provisions of the Companies Act, 2013, including rules and regulations made thereunder (hereinafter referred to as the 'Scheme').

Further, we have been informed by the Management that EPL proposes to acquire ~72.46% of the share capital of CSPPL prior to the filing of this Scheme with the National Company Law Tribunal.

Subject to necessary approvals, CSPPL would be amalgamated with EPL, with effect from



**CERTIFIED TRUE COPY  
For EPL LIMITED**

  
**SURESH SAVALIYA  
HEAD - LEGAL & COMPANY SECRETARY**

the appointed date as mentioned in the Scheme ('Appointed Date').

- 1.2 In consideration for the proposed amalgamation of CSPPL into EPL, equity shares of EPL would be issued to the equity shareholders of CSPPL.
- 1.3 In this regard, we have been appointed by the Companies to carry out the relative valuation of equity shares of CSPPL and of EPL to recommend the fair equity share exchange ratio for the Proposed Amalgamation. The report is being furnished by SSPA in the capacity of Registered Valuer under section 247 of the Companies Act, 2013.
- 1.4 For the purpose of this valuation, the bases of value is 'Relative Value' and the valuation is based on 'Going Concern' premise. For the purpose of this valuation, 11 Nov 2020 has been considered as the 'Valuation Date'.
- 1.5 The report sets out our recommendation of the fair equity share exchange ratio and discusses the methodologies and approach considered for arriving at relative value of the equity shares of the Companies for the purpose of recommendation of share exchange ratio.

## 2. BRIEF BACKGROUND

### 2.1. EPL LIMITED

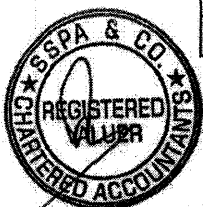
EPL Limited is one of the largest specialty packaging company. The company manufactures laminated plastic tubes, extruded laminated plastic tubes, caps & closures and flexible laminates used in packaging of oral care products, beauty and cosmetics, food and pharmaceuticals.

EPL, along with its subsidiaries, manufactures laminated plastic tubes and specialty packaging in its 19 state-of-the-art facilities located across countries such as such as USA, Mexico, Colombia, Poland, Germany, Russia, Egypt, China, Philippines and India.

The issued and paid up equity share capital of the Transferee Company as on date is INR 63.11 crores comprising of 31,55,65,607 equity shares of INR 2 each fully paid up. The equity shares of EPL are listed on BSE Limited ('BSE') and National Stock Exchange of India Limited ('NSE').

The shareholding pattern of EPL as on date is given below:

Particulars	No. of shares	% holding
Promoters & Promoter Group	163,973,866	51.96%
Public shareholders	151,591,741	48.04%
Total	315,565,607	100.00%



**2.2. CREATIVE STYLO PACKS PRIVATE LIMITED ('CSPL')**

CSPL, incorporated on 20 Jul 2011, is a manufacturer of laminated tubes, plastic tubes, corrugated boxes and caps & closures. CSPL primarily serves personal care, pharmaceuticals, cosmetic, FMCG and pesticide markets. CSPL has production unit in Tehsil – Baddi, District – Solan, Himachal Pradesh.

The issued and paid up equity share capital of the Transferor Company as on date is INR 3.15 crores comprising of 31,50,000 equity shares of INR 10 each fully paid up.

**3. REGISTERED VALUER – SSPA & CO., CHARTERED ACCOUNTANTS**

SSPA & Co., Chartered Accountants, is a partnership firm, located at 1st Floor, Arjun Building, 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.

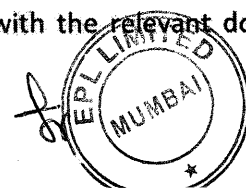
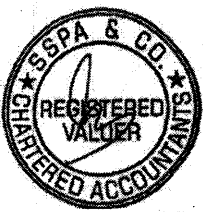
**4. SOURCES OF INFORMATION**

The valuation exercise is based on the following information which has been received from the Management and information available in the public domain:

- (a) Audited financial statements of the Companies for the financial year ('FY') ended March 31, 2020.
- (b) Consolidated financial projections of EPL for FY 2020-21 to FY 2024-25.
- (c) Financial projections of CSPL for FY 2020-21 to FY 2024-25.
- (d) Discussion with the Management on various issues relevant to valuation including prospects and outlook of the business, expected growth and other relevant information relating to expansion plans, expected profitability, etc.
- (e) Such other information and explanations as we required and which have been provided by the Management including Management Representations.

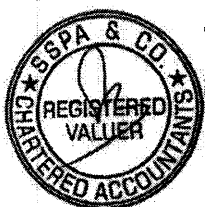
**5. SCOPE LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS AND DISCLAIMERS**

- 5.1. This 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

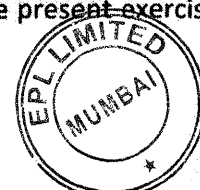


referred to herein and in the context of the purpose for which it is made. Further, our report on recommendation of fair equity share exchange ratio for the proposed amalgamation of CSPPL with EPL is in accordance with ICAI VS 2018 issued by The Institute of Chartered Accountants of India.

- 5.2. Valuation is not a precise science and the conclusions arrived at will be subjective and dependent on the exercise of individual judgment. There is, therefore, no indisputable single value. While we have provided an assessment of value by applying certain formulae which are based on the information available, others may place a different value.
- 5.3. The report assumes that the Companies comply fully with relevant laws and regulations applicable in its area of operations and usage unless otherwise stated, and that the Companies 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 and other contingent liabilities that are not recorded/reflected in the balance sheet provided to us.
- 5.4. The draft of the present report was circulated to the Management (excluding the recommended fair equity share exchange ratio) for confirming the facts stated in the report and to confirm that the information or facts stated are not erroneous.
- 5.5. Valuation analysis and results are specific to the purpose of valuation and the Valuation Date mentioned in the report and is as per agreed terms of our engagement.
- 5.6. 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 Companies / auditors / consultants, is that of the Companies. 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 Companies. The Management have indicated to us that they have understood that any omissions, inaccuracies or misstatements may materially affect our valuation analysis/conclusions.
- 5.7. 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 financial information referred to in this report and consequential impact on the present exercise.

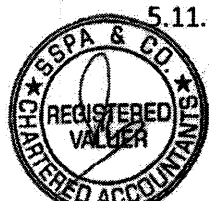


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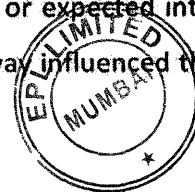


However, we have evaluated the information provided to us by the Companies through broad inquiry, analysis and review. However, nothing has come to our attention to indicate that the information provided / obtained was materially misstated / incorrect or would not afford reasonable grounds upon which to base the report.

- 5.8. Our valuation is based on the estimates of future financial performance as projected by the Management, which represents their view of reasonable expectation at the point of time when they were prepared, after giving due considerations to commercial and financial aspects of the Companies and the industry in which the Companies operate and taking into account the current economic scenario and business disruptions caused on account of spread of COVID-19 pandemic. 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.
- 5.9. We have relied on data from external sources also to conclude the valuation. These sources are believed to be reliable and therefore, we assume no liability for the truth or accuracy of any data, opinions or estimates furnished by others that have been used in this analysis. Where we have relied on data, opinions or estimates from external sources, reasonable care has been taken to ensure that such data has been correctly extracted from those sources and /or reproduced in its proper form and context.
- 5.10. A valuation of this nature involves consideration of various factors including those impacted by prevailing market trends in general and industry trends in particular. 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 and any other matter, which may have an impact on our opinion, on the value of the shares of the Companies including any significant changes that have taken place or are likely to take place in the financial position of the Companies. 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.
- 5.11. We are independent of the Companies and have no current or expected interest in the Companies or its assets. The fee paid for our services in no way influenced the results of



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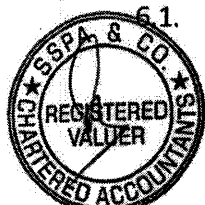


our analysis.

- 5.12. 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.
- 5.13. Any person/party intending to provide finance/divest/invest in the shares/convertible instruments/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.
- 5.14. The decision to carry out the Proposed Amalgamation (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 Amalgamation.
- 5.15. 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 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.
- 5.16. 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 the valuation is carried out. We owe responsibility to only to the Companies 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 wilful default on part of the client or companies, their directors, employees or agents.

## 6. VALUATION APPROACH AND METHODOLOGIES

- 6.1. For the purpose of valuation, generally following approaches can be considered, viz,
- (a) the 'Cost' approach;



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- (b) the 'Market' approach; and
- (c) the 'Income' approach

Each of the aforesaid approaches proceeds on different fundamental assumptions which have greater or lesser relevance and at times even no relevance, to a given situation. Thus, the approach to be adopted for a particular valuation exercise must be judiciously chosen.

## 6.2. COST APPROACH

The Cost Approach reflects the amount that would be required currently to replace the service capacity of an asset; often referred to as current replacement cost. In the present case, the business of EPL and of CSPPL are intended to be continued on a 'going concern basis' and there is no intention to dispose-off the assets, therefore the Cost Approach is not adopted for the present valuation exercise.

## 6.3. MARKET APPROACH

6.3.1. In the present case, the equity shares of EPL are listed and frequently traded on recognized stock exchanges. Therefore, we have thought fit to use Market Price Method for valuation of equity shares of EPL under Market Approach.

The equity shares of CSPPL are not listed on any stock exchanges. Therefore, we have thought fit to use Comparable Companies' Multiple ('CCM') Method for valuation of equity shares of CSPPL under Market Approach.

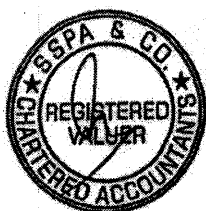
### 6.3.2. MARKET PRICE METHOD

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.

As mentioned above, the equity shares of EPL are listed on recognized stock exchanges. The value of equity shares of EPL under this method is determined considering the share prices of EPL on BSE over an appropriate period.

### 6.3.3. COMPARABLE COMPANIES' MULTIPLE METHOD

Under CCM Method, the value of equity shares of CSPPL is determined by using multiples derived from valuations of listed comparable companies. This valuation is based on the principle that market valuations, taking place between informed buyers and informed sellers, incorporate all factors relevant to valuation. Relevant multiples need to be chosen



carefully and adjusted for material differences, if any.

In the present case, Enterprise Value (EV) to Earnings before Interest Tax Depreciation and Amortization (EBITDA) multiples of comparable listed companies are considered to arrive at EV of CSPPL.

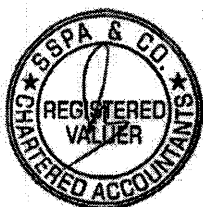
To the value so arrived, appropriate adjustments have been made for contingent liabilities, loan funds, value of investments, surplus advances and cash and cash equivalents after considering the tax impact wherever applicable to arrive at the equity value.

The equity value as arrived above is divided by the outstanding number of equity shares to arrive at the value per equity share of CSPPL.

#### 6.4. INCOME APPROACH

Under Income Approach, equity shares of EPL and of CSPPL are valued using Discounted Cash Flow ('DCF') Method.

- 6.4.1. Under 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.
- 6.4.2. 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) interest on loans, if any, (ii) depreciation and amortizations (non-cash charge), and (iii) any non-operating item. The cash flow is adjusted for outflows on account of (i) capital expenditure, (ii) incremental working capital requirements and (iii) tax.
- 6.4.3. 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 cost of equity and cost of debt of the respective Companies.
- 6.4.4. To the value so arrived, appropriate adjustments have been made for contingent liabilities, loan funds, value of investments, surplus advances, cash and cash equivalents and cash inflow on account of exercise of employee stock options (ESOPs) post 31 Mar 2020, after considering the tax impact wherever applicable to arrive at the equity value.
- 6.4.5. The value as arrived above is divided by the outstanding number of equity shares to arrive at the value per equity share of EPL and of CSPPL.



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**7. RECOMMENDATION OF FAIR EQUITY SHARE EXCHANGE RATIO**

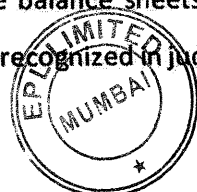
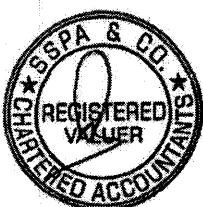
- 7.1. The fair basis of amalgamation of CSPPL with EPL would have to be determined after taking into consideration all the factors and methodologies mentioned hereinabove. Though different values have been arrived at under different approaches, for the purposes of recommending a ratio of exchange it is necessary to arrive at a single value for the equity shares of EPL and of CSPPL. 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 equity shares of EPL and of CSPPL 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.
- 7.2. As mentioned above, we have considered a combination of Market Approach and Income Approach for arriving at the relative value per equity share of EPL and of CSPPL. The values under each of the approaches is given in the table below:

Valuation Approach	EPL		CSPPL	
	Value per share (INR)	Weight	Value per share (INR)	Weight
Asset Approach *	NA	NA	NA	NA
Market Approach	256.29	50%	701.38	50%
Income Approach	256.72	50%	682.11	50%
<b>Relative value per share</b>	<b>256.50</b>		<b>691.75</b>	
<b>Exchange Ratio (rounded off)</b>			<b>0.3708</b>	

NA = Not Applied / Not Applicable

\* Since, the business of EPL and CSPPL are both intended to be continued on a 'going concern basis' and there is no intention to dispose-off the assets, therefore the Asset (Cost) Approach is not adopted for the present valuation exercise.

- 7.3. The fair equity share exchange ratio has been arrived on the basis of a relative valuation of equity shares of EPL and of CSPPL based on the approaches explained herein earlier and considering various qualitative factors relevant to the Companies and the business dynamics and growth potential of the businesses, having regard to information base, management representation and perceptions, key underlying assumptions and limitations.
- 7.4. In the ultimate analysis, valuation will have to involve the exercise of judicious discretion and judgement 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 sheets 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.'*

- 7.5. In light of the above and on consideration of all the relevant factors and circumstances as discussed and outlined hereinabove earlier in this report, in our opinion, the fair equity share exchange ratio for the proposed amalgamation of CSPPL with EPL is as under:

**2,500 (Two Thousand Five Hundred) equity shares of EPL of INR 2 each fully paid up for every 927 (Nine Hundred and Twenty Seven) equity shares of CSPPL of INR 10 each fully paid up.**

Thanking you,  
Yours faithfully,

For SSPA & CO.  
Chartered Accountants  
ICAI Firm registration number: 128851W  
IBBI Registered Valuer No.: IBBI/RV-E/06/2020/126

*S. A. Shah*



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Sujal Shah, Partner  
Registered Valuer No.: IBBI/RV/06/2018/10140  
ICAI Membership No. 045816  
UDIN: 20045816AAAABL4230  
Place: Mumbai