

Recommendation of fair share exchange ratio for the proposed merger of 3B Blackbio Biotech India Limited ('3BBIL' or 'Transferor') with Kilpest India Limited ('KIL' or 'Transferee')

Rashmi Shah FCA | Registered Valuer

IBBI Registration No.: IBBI/RV/06/2018/10240

For R V SHAH & ASSOCIATES

Chartered Accountants

108, Sujata, Station Road, Malad East, Mumbai – 400 097

Mobile: +91 98202 99754 • Landline: +91 22 3561 3144

E-mail: rashmi@rvs-ca.com

To,
The Board of Directors
3B Blackbio Biotech India Limited
7 C, Industrial Area Govindpura, Bhopal Madhya Pradesh 462 023

To,
The Board of Directors
Kilpest India Limited
7 C, Industrial Area Govindpura, Bhopal Madhya Pradesh 462 023

Dear Sir / Madam,

Fair share exchange ratio for the proposed merger of 3B Blackbio Biotech India Limited with Kilpest India Limited

We refer to the discussions we had with you in connection with determining the fair share exchange ratio for the proposed merger of 3B Blackbio Biotech India Limited ('3BBIL' or 'Transferor') with Kilpest India Limited ('KIL' or 'Transferee') under the Scheme of Amalgamation for submission to National Company Law Tribunal, under Section 230 read with Section 232 and other relevant provisions of the Companies Act 2013 and as per SEBI circulars No. CFD/DIL3/CIR/2017/21 dated March 10, 2017, CFD/D113/C R/2017/26 dated March 23, 2017.

Based on our valuation analysis, we recommend share exchange ratio as below:

833 (Eight Hundred and Thirty Three) fully paid-up Equity Shares of Kilpest India Limited of Rs. 10 each for every 100 (One Hundred) Equity Share of Rs. 10/- each to be issued to external shareholders of 3B Blackbio Biotech India Limited

All information contained herein with respect to the valuation subject is provided to us by you / your authorized personnel only. The contents of our report have been reviewed in detail by the Management, who have also confirmed to us the factual accuracy. We understand that you agree with the contents of this report (especially fact based) and nothing has been concealed from us that could have had a bearing on the valuation. If you have any questions or require additional information, please do feel free to contact us. This report on recommendation of share exchange ratio is our deliverable for this engagement. If you have any concerns, or require any clarifications, please do feel free to contact us.

Respectfully submitted,



Rashmi Shah FCA
Registered Valuer (SFA)
IBBI Registration No.: IBBI/RV/06/2018/10240
For R V Shah & Associates
Chartered Accountants
Membership No.: 123478
FRN: 133958W
Date: 27th December 2021
ICAI UDIN: 21123478AAAANQ6143

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Engagement Background

Pursuant to the proposed Scheme of Amalgamation of 3B Blackbio Biotech India Limited with Kilpest India Limited and their respective shareholders, Rashmi Shah FCA, Registered Valuer with IBBI Registration No. IBBI/RV/06/2018/10240 ('RVS'), has undertaken valuation to determine the fair share exchange ratio relating to the proposed merger of 3B Blackbio Biotech India Limited with Kilpest India Limited. The Appointed Date as proposed by the Management of the companies is 30th September 2021.

Jurisdictional National Company Law Tribunal's ('NCLT') permission has to be obtained for sanction of the merger. Consequently, this report is prepared for submission to the NCLT, using a fair basis for arriving at the share exchange ratio.

The Scheme of Amalgamation is presented under Sections 230 to 232 read with Section 66 and any other applicable provisions of the Companies Act, 2013.

The scope of our services is to conduct a relative (and not absolute) valuation of the equity shares of 3BBIL and KIL as of 27th December 2021 ('Valuation Analysis Date') and recommending share exchange ratio for the proposed amalgamation of 3BBIL with KIL. For the purpose of this valuation, the bases of value is 'Relative Value' and the valuation is based on 'Going Concern' premise.

Our report on recommendation of fair equity share exchange ratio for the proposed amalgamation of 3BBIL with KIL is in accordance with ICAI VS 2018 issued by 'The Institute of Chartered Accountants of India'.



Corporate Overview – Kilpest India Limited

- Kilpest India Limited is a public company incorporated on 27 May 1972 corporate identification number L24211MP1972PLC001131 having registered office address at 7 C, Industrial Area Govindpura Bhopal MP 462023.
- The Company Kilpest is an ISO certified company and has representation in India in the field of agriculture business comprising Crop Protection Products and Public Health Products, Bio products, Micro- Nutrients and Mix fertilizers.
- KIL Holds 87.45% of equity share capital of transferor company. KIL is listed on Bombay Stock Exchange (BSE) of India
- The shareholding pattern of the company is as below:

Name of shareholders	No. of Equity Shares	%
Promoter & Promoter Group	28,79,448	38.35%
Public	46,28,652	61.65%
Total	75,08,100	100%

Corporate Overview – 3B Blackbio Biotech India Limited

- 3B Blackbio Biotech India Limited was incorporated on 12th November 2010 with corporate identification number U24232MP2010PTCO24717 and having its Registered Office at Registered Office at 7 C, Industrial Area Govindpura Bhopal MP 462023.
- The Company is ISO 13485:2016 certified, GMP compliant biotech R&D organization, established in 2011 as Indo-Spanish JV company and engaged in design, development, manufacturing and commercialization of PCR based Molecular Diagnostic kits, PCR Enzymes & PCR Reagents. The PCR based Molecular Diagnostic Kits are commercialized with TRUPCR® brand to renowned diagnostics labs across the country. TRUPCR® is a registered trademark of 3B BlackBio Biotech India Limited.
- The shareholding pattern of the company is as below:

Name of shareholders	No. of Equity Shares	%
Kilpest India Limited	8,98,500	87.45%
2B Blackbio, S.L. Spain	29,000	2.82%
Nikhil Kuber Dubey	10,000	0.97%
Dhirendra Dubey	40,000	3.89%
Prateek Goel	50,000	4.87%
Total	10,27,500	100.00%

Valuation approach

For the purpose of valuation for amalgamation, generally the following approaches are adopted:

- (a) the 'Cost' approach
- (b) the 'Income' approach
- (c) the 'Market' approach

The proposed transaction contemplates amalgamation of 3BBIL with KIL.

Arriving at the fair share exchange ratio for the purpose of amalgamation would require determining the relative value of equity shares of 3BBIL and KIL. These values are to be determined independently but on a relative basis, and without considering the proposed transaction.

The three main valuation approaches are the cost approach, income approach and market approach. There are several commonly used and accepted methods within the cost approach, income approach and market approach, for determining the relative fair value of equity shares, which can be considered in the present case, to the extent relevant and applicable, to arrive at the Share Exchange Ratio for the purpose of amalgamation.

We have determined value of equity shares of 3BBIL using the Discounted Cash Flows (DCF) method and Comparable Companies Multiple Method ('CCM').

The equity shares of KIL are traded on BSE. As per definition provided under Regulation 164 (5) of SEBI (Issue of Capital and Disclosure Requirements) Regulations 2018, the shares of KIL are frequently traded shares. As the equity shares of the KIL are frequently traded, considering the foregoing Market Price Method under the Market Approach has been considered for valuation of the KIL. In view of this, we have not considered Income approach and Asset approach for the valuation of KIL.

An explanation to the various methodologies is as below:

Cost Approach

Cost approach determines the value of the company by considering the fair value of assets and liabilities as of the valuation date. Net Asset Value (NAV), the most commonly adopted valuation method under the cost approach is computed as the difference between the value of underlying assets less the value of liabilities.

We have therefore not considered the cost approach to determine the value of equity shares of 3BBIL and KIL.

Market Approach

Under the ‘Market’ approach, the equity shares of the company are valued using market price method or comparable companies’ transaction multiple (‘CTM’) method or comparable companies’ multiple (‘CCM’) method.

The market price of an equity share, as quoted on a stock exchange is normally considered as the 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.

If the company is not listed, appropriate multiple of listed comparable companies or appropriate transaction multiple of comparable companies are adopted and applied to the financial parameters of the subject companies to arrive at the fair value of equity shares.

Management has provided with the comparable companies listed on stock exchanges for 3BBIL. We have therefore considered the CCM method of valuation for 3BBIL. We have hence considered Market Approach to determine the value of equity shares of 3BBIL.

The equity shares of KIL are traded on BSE. As per definition provided under Regulation 164 (5) of SEBI (Issue of Capital and Disclosure Requirements) Regulations 2018 the shares of KIL are frequently traded shares. As the equity shares of the KIL are frequently traded, considering the foregoing Market Price Method under the Market Approach has been considered for valuation of the KIL. In view of this, we have not considered Income approach and Asset approach for the valuation of KIL

Income Approach

Under the ‘Income’ approach, shares of a company are valued using “Discounted Cash Flow” (DCF) method.

Under the DCF method values the Company by discounting its free cash flows for the explicit forecast period and the perpetuity value thereafter. The free cash flows represent the cash available for distribution to both the owners and the creditors of the company. The free cash flows are discounted by Weighted Average Cost of Capital (WACC). The WACC represents the returns expected by the investors of both debt and equity, weighted for their relative funding in the entity. The present value of the free cash flows during the explicit period and the perpetuity value indicate the value of the company. The DCF method uses the future free cash flows of the firm / equity holders discounted by the 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. This method is based on future potential and is widely accepted.

We have considered DCF method to determine the value of equity shares of 3BBIL.

Rationale for Valuation

- The fair basis of merger is determined after taking into consideration all the factors and methodologies mentioned hereinabove as appropriate and as applicable to the circumstances.
- We have considered relevant and applicable valuation methodologies to determine the value of equity shares of 3BBIL and KIL.
- Valuation is tempered by exercising judicious discretion and judgment considering all the relevant factors. Various factors like quality and integrity of the management, present and prospective competition, yield on comparable securities and market sentiment, etc. are not evident from the face of the balance sheets but 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, etc. 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.”



Share exchange ratio recommendation

The fair basis of amalgamation of 3BBIL and KIL would have to be determined after taking into consideration all the factors and approaches mentioned herein above. Our exercise is to work out relative value of shares of the said companies to facilitate the determination of ratio of exchange.

The share exchange ratio as determined by us is shown in the table below:

Share exchange ratio for the proposed amalgamation				
Valuation approach	Kilpest India Limited		3 B BlackBio Biotech India Limited	
	Value per share (INR)	Weight (%)	Value per share (INR)	Weight (%)
Asset approach - NAV method	NA	0%	NA	0%
Income approach - DCF method	NA	NA	4,486.07	50%
Market approach - Market Price method	516.27	100%	4,114.10	50%
Relative value per share	516.27		4,300.08	
Fair share exchange ratio	833 shares of KIL for every 100 shares of 3BBIL			

In light of the above and considering all relevant facts and circumstances, we recommend share exchange ratio as below:

833 (Eight Hundred and Thirty Three) fully paid-up Equity Shares of Kilpest India Limited of Rs. 10 each for every 100 (One Hundred) Equity Share of Rs. 10/- each to be issued to external shareholders of 3B Blackbio Biotech India Limited

The shares of both companies are valued on a “going concern” basis and an actual realization of the operating assets is not contemplated. We have considered it appropriate not to determine the realizable or replacement value of the assets. The operating assets have therefore been considered at their book values under the NAV method. We have not considered NAV method for valuing equity shares of KIL and 3BBIL.

Management has provided with the comparable companies listed on stock exchanges for 3BBIL. We have therefore considered the CCM method of valuation for 3BBIL. We have hence considered Market approach method to determine the value of equity shares of 3BBIL.

We have considered DCF method to determine the value of equity shares of 3BBIL. We have considered 50% weightage for DCF method and 50% weightage

We have assessed the value of equity shares of KIL using the Recent Transaction method. We have given 100% weightage to Market Price Approach. As the equity shares of the KIL are frequently traded, considering the foregoing Market Price Method under the Market Approach has been considered for valuation of the KIL. In view of this, we have not considered Income approach and Asset approach for the valuation of KIL.



Limiting Conditions

- Valuation analysis and results are specific to the purpose of valuation mentioned in this report as per agreed terms of our engagement. It may not be valid for any other purpose or after material time-lag from the valuation date. Also, it may not be valid if done on behalf of any other entity.
- We do not accept any liability to any third party in relation to the issue of this valuation report. Our valuation report cannot be used for any other purpose.
- We have relied on estimates and other financial data as provided by the Management of the Company and have undertaken review of the same in line with professional requirements for the current valuation exercise. We assume no responsibility for the accuracy and completeness of information and will not be held liable for it under any circumstances. We have not conducted an audit, or due diligence, on financial data provided by the Management.
- Our analysis is based on the market conditions and the regulatory environment that currently exists. However, changes to the same in the future could impact the company and the industry it operates in, which may impact our valuation analysis.
- Neither we nor any of our affiliates are responsible for updating this report because of events or transactions occurring subsequent to the date of this report.
- We have not assessed the commercial reasons behind the transaction and have only determined the fair share exchange ratio.



Sources of Information

The following sources of information have been utilized in conducting the valuation as provided to us by the Management of Kilpest India Limited and 3B Blackbio Biotech India Limited:

Kilpest India Limited

- Audited Financials for the year ended 31st March 2021
- Limited Review report on quarterly unaudited standalone financials for the period ended 30th September 2021
- Shareholding pattern as of 30th September 2021

3B Blackbio Biotech India Limited

- Audited Financials for the year ended 31st March 2021
- Audited Financials for the period ended 30th September 2021
- Financial projections (projected balance sheet and P&L statement) of the business for the period 01st October 2021 till 31st March 2026
- Shareholding pattern as of 30th September 2021

We have also obtained and considered the following:

- Business and Corporate Profile
- Other background information provided through emails, word documents or during discussions
- Discussions with the Management

In addition to the above, we have also obtained such other information and explanations from the Management as considered relevant for the purpose of the valuation. We have obtained a general representation from the Management confirming that they have provided us with all the relevant information, knowledge, supporting documents and confirmations completely and correctly and that no material information has been concealed or withheld or misrepresented to us.



Annexure I: Determination of value of equity shares of KIL using Market Price method

As explained in the methodology earlier, the market price is considered as the higher of the following:

- a. Average of the weekly high and low of the volume weighted average price during the 26 weeks preceding 26th December 2021; or
- b. Average of weekly high and low of the volume weighted average price during the 2 weeks preceding 26th December 2021.

Accordingly, 26-weeks and 2-weeks VWAP average is computed using the VWAP of share prices of KIL as traded on BSE.

Duration	Average VWAP
26-week VWAP average	516.27
2- week VWAP average	435.33
Higher of the two	516.27
Value per share of KIL	516.27

Refer to detailed computation as below:



**Recommendation of fair share exchange ratio for the proposed merger of 3B Blackbio
Biotech India Limited with Kilpest India Limited**

Week	Date	VWAP (Rs.)	Weekly High	Weekly Low	Average
1	28 June 2021	586.86	665.66	586.86	626.26
	29 June 2021	655.47			
	30 June 2021	665.66			
	01 July 2021	659.23			
	02 July 2021	617.45			
	03 July 2021				
	04 July 2021				
2	05 July 2021	607.35	635.31	607.35	621.33
	06 July 2021	615.02			
	07 July 2021	628.17			
	08 July 2021	635.31			
	09 July 2021	619.01			
	10 July 2021				
	11 July 2021				
3	12 July 2021	626.29	629.76	619.39	624.58
	13 July 2021	629.76			
	14 July 2021	628.87			
	15 July 2021	627.50			
	16 July 2021	619.39			
	17 July 2021				
	18 July 2021				
4	19 July 2021	612.50	716.76	612.50	664.63
	20 July 2021	650.30			
	21 July 2021				
	22 July 2021	700.94			
	23 July 2021	716.76			
	24 July 2021				
	25 July 2021				
5	26 July 2021	733.08	749.78	647.18	698.48
	27 July 2021	749.78			
	28 July 2021	739.05			
	29 July 2021	714.27			
	30 July 2021	647.18			
	31 July 2021				
	01 August 2021				
6	02 August 2021	632.43	636.68	610.73	623.71
	03 August 2021	636.68			
	04 August 2021	631.73			
	05 August 2021	610.73			
	06 August 2021	615.61			
	07 August 2021				
	08 August 2021				
7	09 August 2021	602.11	602.11	486.01	544.06
	10 August 2021	538.39			
	11 August 2021	486.01			
	12 August 2021	526.11			
	13 August 2021	550.00			
	14 August 2021				
	15 August 2021				
8	16 August 2021	526.18	527.58	522.77	525.17
	17 August 2021	522.77			
	18 August 2021	527.58			
	19 August 2021				
	20 August 2021	523.65			
	21 August 2021				
	22 August 2021				



**Recommendation of fair share exchange ratio for the proposed merger of 3B Blackbio
Biotech India Limited with Kilpest India Limited**

Week	Date	VWAP (Rs.)	Weekly High	Weekly Low	Average
9	23 August 2021	498.89	544.17	494.82	519.50
	24 August 2021	494.82			
	25 August 2021	519.32			
	26 August 2021	544.17			
	27 August 2021	536.22			
	28 August 2021				
10	29 August 2021		540.78	519.43	530.11
	30 August 2021	540.78			
	31 August 2021	530.15			
	01 September 2021	531.55			
	02 September 2021	519.43			
	03 September 2021	522.96			
11	04 September 2021		524.24	512.01	518.12
	05 September 2021				
	06 September 2021	524.24			
	07 September 2021	516.25			
	08 September 2021	514.82			
	09 September 2021	512.01			
12	10 September 2021		529.51	521.21	525.36
	11 September 2021				
	12 September 2021				
	13 September 2021	521.21			
	14 September 2021	525.77			
	15 September 2021	529.51			
13	16 September 2021		500.94	475.06	488.00
	17 September 2021	527.57			
	18 September 2021	522.60			
	19 September 2021				
	20 September 2021	500.94			
	21 September 2021	494.91			
14	22 September 2021		473.75	453.95	463.85
	23 September 2021	499.30			
	24 September 2021	482.62			
	25 September 2021	475.06			
	26 September 2021				
	27 September 2021	453.95			
15	28 September 2021	461.00	508.03	478.39	493.21
	29 September 2021	473.75			
	30 September 2021	466.46			
	01 October 2021	463.46			
	02 October 2021				
	03 October 2021				
16	04 October 2021	486.69	515.91	505.89	510.90
	05 October 2021	491.18			
	06 October 2021	482.88			
	07 October 2021	478.39			
	08 October 2021	508.03			
	09 October 2021				
17	10 October 2021		495.94	456.56	476.25
	11 October 2021	512.76			
	12 October 2021	509.92			
	13 October 2021	515.91			
	14 October 2021	505.89			
	15 October 2021				
18	16 October 2021		457.60	429.71	443.65
	17 October 2021				
	18 October 2021	495.94			
	19 October 2021	480.24			
	20 October 2021	470.93			
	21 October 2021	469.83			
22 October 2021	456.56				
	23 October 2021		429.71	429.71	443.65
	24 October 2021				
	25 October 2021	429.71			
	26 October 2021	457.60			
	27 October 2021	456.53			
	28 October 2021	451.27			
29 October 2021	445.88				
	30 October 2021				
	31 October 2021				



**Recommendation of fair share exchange ratio for the proposed merger of 3B Blackbio
Biotech India Limited with Kilpest India Limited**

Week	Date	VWAP (Rs.)	Weekly High	Weekly Low	Average
19	01 November 2021	432.13	449.01	429.32	439.17
	02 November 2021	435.16			
	03 November 2021	429.32			
	04 November 2021	449.01			
	05 November 2021				
	06 November 2021				
	07 November 2021				
20	08 November 2021	472.08	473.17	443.15	458.16
	09 November 2021	473.17			
	10 November 2021	458.75			
	11 November 2021	457.89			
	12 November 2021	443.15			
	13 November 2021				
	14 November 2021				
21	15 November 2021	435.21	435.21	417.88	426.54
	16 November 2021	427.68			
	17 November 2021	421.88			
	18 November 2021	417.88			
	19 November 2021				
	20 November 2021				
	21 November 2021				
22	22 November 2021	411.71	458.70	411.71	435.21
	23 November 2021	419.88			
	24 November 2021	443.68			
	25 November 2021	438.74			
	26 November 2021	458.70			
	27 November 2021				
	28 November 2021				
23	29 November 2021	440.91	446.10	427.53	436.81
	30 November 2021	429.20			
	01 December 2021	427.53			
	02 December 2021	436.86			
	03 December 2021	446.10			
	04 December 2021				
	05 December 2021				
24	06 December 2021	474.02	474.02	444.42	459.22
	07 December 2021	463.27			
	08 December 2021	450.70			
	09 December 2021	444.42			
	10 December 2021	446.28			
	11 December 2021				
	12 December 2021				
25	13 December 2021	443.72	443.72	429.27	436.49
	14 December 2021	440.38			
	15 December 2021	439.83			
	16 December 2021	441.19			
	17 December 2021	429.27			
	18 December 2021				
	19 December 2021				
26	20 December 2021	424.03	444.29	424.03	434.16
	21 December 2021	428.85			
	22 December 2021	435.54			
	23 December 2021	444.29			
	24 December 2021	443.64			
	25 December 2021				
	26 December 2021				
26 week average of the weekly high and low share prices - A					516.27
2 week average of the weekly high and low share prices - B					435.33
Higher of A and B					516.27

