

# **FAIRNESS OPINION REPORT**

FOR THE PROPOSED AMALGAMATION BETWEEN

**JHS SVENDGAARD LABORATORIES LIMITED**

**(TRANSFEROR COMPANY)**

AND

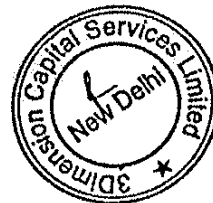
**VEDIC COSMECEUTICALS PRIVATE LIMITED**

**(TRANSFeree COMPANY)**

AND

**THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS  
(UNDER SECTION 230 TO 232 OF THE COMPANIES ACT, 2013)**

***Date: 21<sup>st</sup> September 2023***





GSTIN: 07AAICS6488H1ZS  
CIN: U65923DL2001PLC113191

## 3DIMENSION CAPITAL SERVICES LIMITED

SEBI Registered (Category - I) Merchant Banker  
SEBI Registration No. INM000012528

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Date: 21 September 2023

To,  
The Board of Directors  
JHS Svendgaard Laboratories Limited  
B1/E23, Mohan Co-Operative Industrial Area,  
Mathura Road New Delhi,  
Delhi-110 044, India

To,  
The Board of Directors  
Vedic Cosmeceuticals Private Limited  
21-C, Pocket-C Gangotri Apartments,  
Alaknanda New Delhi,  
Delhi - 110 019, India

Dear Sir/Ma'am,

**Subject: Fairness Opinion on Equity Share Exchange Ratio pursuant to the proposed Scheme of Arrangement for Amalgamation of JHS Svendgaard Laboratories Limited (Transferor Company/ "JHS") with Vedic Cosmeceuticals Private Limited ("Transferee Company"/ "Vedic")**

We, 3Dimension Capital Services Limited (SEBI Registered Category I Merchant Banker), have been appointed by JHS Svendgaard Laboratories Limited (Transferor Company/ "JHS") and Vedic Cosmeceuticals Private Limited ("Transferee Company"/ "Vedic"), to provide a Fairness Opinion on the Valuation report issued by Mr. Ajay Kumar Siwach, Registered Valuer, dated 22<sup>nd</sup> September, 2023, in connection with the proposed amalgamation of JHS Svendgaard Laboratories Limited (Transferor Company/ "JHS") with Vedic Cosmeceuticals Private Limited ("Transferee Company"/ "Vedic"), pursuant to a Scheme of Amalgamation under Sections 230 to 232 and other applicable clauses of the Companies Act, 2013.

In terms of our engagement, we are enclosing our opinion along with this letter. All comments as contained herein must be read in conjunction with the caveats to this opinion. The opinion is confidential and has been made in accordance with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as "Listing Regulations") read with SEBI Master Circular no. SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665 dated November 23, 2021, it should not be used, reproduced or circulated to any other person, in whole or in part, without the prior consent of 3Dimension Capital Services Limited, such consent will only be given after full consideration of the circumstances at the time. We are however aware that the conclusion in this report may be used for the purpose of disclosure to be made to the stock exchanges, Hon'ble National company Law Tribunal ("NCLT") and notices to be dispatched to the shareholders and creditors for convening the meeting pursuant to the directions of Hon'ble NCLT and we provide consent for the same.

Trust the above meets your requirements. Please feel free to contact us in case you require any additional information or clarifications.

Yours Faithfully

For 3Dimension Capital Services Limited

[Authorized Signatory]

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## CONTEXT AND BACKGROUND

The Transferor Company is engaged in the business of manufacturing, selling, and exporting Toothbrushes, Toothpastes, Mouthwash, Denture Tablets, and other health care products such as Hand Sanitizer, Room Fresheners, etc. Apart from this, the Transferor Company also offers contract Manufacturing Partnerships to Domestic and International markets. On the other hand, the Transferee Company is engaged in developing, manufacturing, and selling high-quality skincare products for Baby care, Hair Care, Body Care, Intimate Care, Pet care, Spa Products and Grooming products. Some prominent brands with whom the Transferee Company is currently working are Unilever, Nykaa, St. Botanica, The Moms Co., Sugar, Sirona, Bombay Shaving Company, Colorban, Beardo, New U, Skinraft, Arata, TNW.

The Transferor Company and Transferee Company belong to the Fast-Moving Consumer Goods (FMCG) Industry and have a similar line of Business and the same customer base. Further, the product base of the Transferee Company is wider in comparison to that of the Transferor Company and at the same time, has more growth potential from future prospects considering the usage of advanced technology in production.

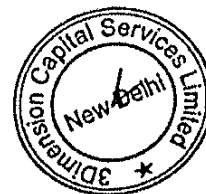
Accordingly, the management of the Transferor Company and Transferee Company believes that after this proposed merger, the Transferee Company shall be in a position to utilize the manufacturing infrastructure of the Transferor Company in a more efficient and better way with its modern and advanced technology.

Moreover, after the effectiveness of the Scheme, the Transferee Company shall apply for the listing of its equity shares on BSE and NSE and the same will enhance the business value of both Companies followed by the enhancement of liquidity and marketability of equity shares which will ultimately be beneficial to the public shareholders.

Furthermore, this Scheme of Arrangement for Amalgamation of the Transferor Company with the Transferee Company would result, inter-alia, in the following additional benefits:

- Enhancement of competitive strengths including financial resources;
- Enhancement of economic value addition;
- Both companies operate in the same industry, allowing for diversification of products and a stronger customer base. This can result in improved operational efficiency, economies of scale, and overall competitiveness in the market which can help mitigate risks and increase the overall resilience of shareholders' portfolios;
- Better management and focus on growing the businesses. The merger can create cross-selling opportunities between the merged entity's products. The shared customer base can be leveraged to introduce complementary products, upsell or cross-sell existing products, and maximize revenue potential;
- The combined scale and customer reach of the Merged Entity will enable it to compete effectively in the market;
- A larger growing company will mean enhanced financial and growth prospects for the people and organization connected therewith, and will be in public interest. The amalgamation will conduce for better and more efficient and economical control over the business and financial conduct of the Companies; and;

The merger of Transferor Company into and with the Transferee Company will squarely result in unlocking the value of business of both the companies.



## BRIEF ABOUT COMPANIES

1. JHS Svendgaard Laboratories Limited (herein after also referred to as 'JHS' or 'Transferor Company'), bearing CIN L74110HP2004PLC027558 was incorporated on 08<sup>th</sup> October, 2004, under the provisions of Companies Act, 1956, with the name and style of JHS Svendgaard Laboratories Limited. The registered office of the Transferor Company is situated at Trilokpur Road, Kheri (Kala Amb), Tehsil - Nahan, Distt. Sirmour, Himachal Pradesh – 173 030, India.

Transferor Company is widely held listed company having its equity shares listed on Bombay Stock Exchange Limited (BSE) and National Stock Exchange (NSE).

The Transferor Company is engaged in the business of manufacturing and selling of Toothbrushes, Toothpastes, Mouthwash, Denture Tablets, and other allied oral care products. Apart from working on its own brands, the company also offers Contract Manufacturing partnerships to brands in the domestic and international markets.

### Limited Review Consolidated Balance Sheet as of 30<sup>th</sup> June, 2023:

Particulars	Amount in INR Million
Share Capital	783.97
Reserves and Surplus	1,058.31
Non-Current Liabilities	44.87
Current liabilities and provisions	92.09
<b>Equity &amp; Liabilities</b>	<b>1,979.23</b>
Non-Current Assets	1,287.43
Current Assets	691.80
<b>Total Assets</b>	<b>1,979.23</b>

### Limited Review Consolidated Statement of Profit & Loss for the 3 Months period ended 30<sup>th</sup> June 2023:

Particulars	Amount in INR Million
Revenue from Operations	159.04
Other Income	4.06
<b>Total Revenue</b>	<b>163.10</b>
Operating Expenses	176.62
<b>EBITDA</b>	<b>(13.52)</b>
Depreciation & Amortization	13.20
Finance Cost	1.28
<b>Profit before Tax (PBT)</b>	<b>(28.00)</b>

### The Capital Structure of the Company:

Particulars	Amount (INR)
Authorized Share Capital 10,10,00,000 Equity Shares of Rs.10/- each	1,01,00,00,000.00
<b>Total</b>	<b>1,01,00,00,000.00</b>
Issued, Subscribed, and Paid-Up Share Capital 7,83,96,762 Equity Shares of Rs.10/- each fully paid up	78,39,67,620.00
<b>Total</b>	<b>78,39,67,620.00</b>

2. Vedic Cosmeceuticals Private Limited (hereinafter also referred to as 'Vedic' or 'Transferee Company'), is a Private Limited Company bearing CIN U24246DL2003PTC118255. It was incorporated on 01<sup>st</sup> January 2003, under the provisions of the Companies Act, 1956, with the name of "Vedic Cosmeceuticals Private Limited" having its registered office at 21-C, Pocket-C, Gangotri Apartments, Alakananda, New Delhi – 110 019, India.

The Transferee Company is engaged in the development, manufacture, and sale of high-quality skincare products made with natural ingredients such as Sunscreens, Face Masks and packs, Face Washes, Body Washes, etc.

**Audited Balance Sheet as of 30<sup>th</sup> June, 2023:**

Particulars	Amount in INR Million
Share Capital	2.18
Reserves and Surplus	340.88
Non-Current Liabilities	6.66
Current liabilities and provisions	116.36
<b>Equity &amp; Liabilities</b>	<b>466.08</b>
Non-Current Assets	76.39
Current Assets	389.70
<b>Total Assets</b>	<b>466.08</b>

**Audited Statement of Profit and Loss for the 03 Months period ended 30<sup>th</sup> June 2023:**

Particulars	Amount in INR Million
Revenue from Operations	94.92
Other Income	2.05
<b>Total Revenue</b>	<b>96.97</b>
Operating Expenses	119.06
<b>EBITDA</b>	<b>(22.08)</b>
Depreciation & Amortization	4.42
<b>EBIT</b>	<b>(26.51)</b>
Finance Cost	0.02
<b>Profit before Tax (PBT)</b>	<b>(26.53)</b>

**The Capital Structure of the Company:**

Particulars	Amount (INR)
<b>Authorized Share Capital</b>	
30,10,000 Equity Shares of Rs. 10/- each	3,01,00,000.00
14,00,000 Preference Shares of Rs. 10/- each	1,40,00,000.00
<b>Total</b>	<b>4,41,00,000.00</b>
<b>Issued, Subscribed and Paid-up Share Capital*</b>	
30,02,000 Equity Shares of Rs. 10/- each fully paid up	3,00,20,000.00
13,61,640 Fully and Compulsorily Convertible Cumulative Preference Shares of Rs. 10/- each fully paid up	1,36,16,400.00
<b>Total</b>	<b>4,36,36,400.00</b>

\*On 11<sup>th</sup> September 2023, the Company has allotted bonus share to its shareholders in the Ratio 19:1



## SHARE EXCHANGE RATIO FOR AMALGAMATION

### SHARE EXCHANGE RATIO FOR AMALGAMATION:-

BSE Circular No. LIST/COMP/02/2017-18 dated 29 May 2017 requires the valuation report for a Scheme of Arrangement to provide certain requisite information in a specified format.

Valuation Approach	Methodology Applied	JHS Svendgaard Laboratories Limited (Transferor)			Vedic Cosmeceuticals Private Limited (Transferee)		
		Weights	Equity Value Per Share (INR)	Weighted Equity Value Per Share (INR)	Weights	Equity Value Per Share (INR)	Weighted Equity Value Per Share (INR)
Asset	Adjusted Book Value	20%	24.37	24.97	20%	78.62	242.90
Market	Comparable Companies Multiples	Nil	Nil		Nil	Nil	
	Market Price Method	40%	24.43		Nil	Nil	
Income	Discounted Cash Flow	40%	25.82		80%	283.96	

Based on the above analysis, the share exchange ratio has been arrived at, and accordingly, the Transferee Company shall, without any further act or deed and without any further payment, issue and allot equity shares on a proportionate basis to each member of the Transferor Company whose names are recorded in the Register of Members/ List of Beneficial Owners for shares in dematerialized form of the Transferor Company on the Record Date.

Calculation Of Exchange Ratio		
Company Name	Vedic Cosmeceuticals Private Limited (Transferee Company)	JHS Svendgaard Laboratories Limited (Transferor Company)
Equity Value Per Share (INR)	242.90	24.97
Exchange Ratio	1:00	0:10
Exchange Ratio For 100 Shares	100	10

“Vedic Cosmeceuticals Private Limited” (Transferee Company) shall issue and allot 10 (Ten) Equity Shares of Face Value of INR 10.00/- (Rupees Ten Each) each to Equity Shareholders of “JHS Svendgaard Laboratories Limited” (Transferor Company) for every 100 (One Hundred) Equity Share of Face Value of INR 10.00/- (Rupees Ten Each) each held by them in the Transferor Company.



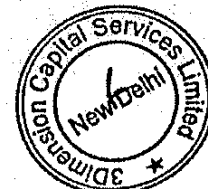


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**Method of Valuation:**

There are three approaches to Valuation namely Income, Asset and Market Approaches.

Approach	Valuation Methodologies	Basis of Consideration
Asset	Adjusted Net Asset Value (NAV) Method	<p>The Asset-based method views the business as a set of assets and liabilities that are used as building blocks of a business value. The difference in the value of these assets and liabilities on a Book Value basis or Realizable Value basis or Replacement Cost basis is the business value. In the instant case, we have deemed it suitable to apply NAV in both Companies as this method involves identifying and valuing a company's assets which is quite objective and reliable as the companies have stable and predictable asset values.</p>
Market	Comparable Companies Multiples (CCM) Method	<p>This methodology uses the valuation ratio of a publicly traded company and applies that ratio to the company being valued. The valuation ratio typically expresses the valuation as a function of a measure of financial performance or Book Value (e.g., Revenue, EBITDA, EBIT, Earnings per Share, or Book Value). A key benefit of Comparable Company Market Multiple analysis is that the methodology is based on the current market stock price. The current stock price is generally viewed as one of the best valuation metrics because it is based on observable inputs.</p> <p>In the case of the transferee Company, we have not applied this methodology, as the transferee Company is engaged in the FMCG industry in which the Comparable Multiples might not be able to reflect the true value of the Company in this industry Brand value or Goodwill plays a critical factor for the Equity Value of the Company and the listed peers available in this space are relatively huge in contrast to the Transferee Company.</p> <p>In the case of the transferor company, the Company is listed on the Stock Exchange and is frequently traded on the National Stock Exchange (NSE). Hence, I deemed it suitable to consider the Market Price in the NSE for the valuation exercise instead of the Comparable Multiples of the Transferor Company. (90 TD-10 TD)</p>
	Market Price Method (90 Trading Days (TD) -10 Trading Days (TD))	<p>In this method, the VWAP (Volume Weighted Average Price) of the latest 90 Trading days (TD) VWAP and 10 Trading days are taken. The maximum of these two is then taken as the fair market value.</p> <p>Since JHS is listed on the Stock Exchanges and is frequently traded on the NSE, we have applied this methodology in this instant case.</p> <p>Also, the transferee company is not listed; therefore, we have deemed it appropriate to ignore this methodology for the valuation analysis of the transferee company.</p>
Income	Discounted Free Cash Flow (DFCF) Method	<p>The DFCF method expresses the present value of the business as a function of its future cash earnings capacity. This methodology works on the premise that the value of a business is measured in terms of future cash flow streams, discounted to the present time at an appropriate discount rate. The value of the firm is arrived at by estimating the Free Cash Flows (FCF) to the Firm and discounting the same with the Weighted Average cost of capital (WACC). The DFCF methodology is the most appropriate basis for determining the earning capability of a business. In the DFCF approach, the appraiser estimates the cash flows of any business after all operating expenses, taxes, and necessary investments in working capital and Capex is being met.</p> <p>In the instant case, we have considered this methodology for the calculation of the equity value of both Companies based on their future net cash flows. After considering their business plan, we have calculated the Equity value by adjusting their investment and cash balance on the date of valuation.</p>





**PRE- ARRANGEMENT SHAREHOLDING PATTERN**

1		Name of Listed Entity:	JHS SVENDGAARD LABORATORIES LTD	
2		Script Code/Name of Scrip/Class of Security	Equity	
3		Share Holding Pattern Filed under: Reg. 31(1)(a)/Reg. 31(1)(b)/Reg.31(1)(c)	Reg.31(1)(b)	
		a. If under 31(1)(b) then indicate the report for Quarter ending	12.09.2023	
		b. If under 31(1)(c) then indicate date of allotment/extinguishment		
4		Declaration: The Listed entity is required to submit the following declaration to the extent of submission of information:-		
		<b>Particulars</b>	<b>Yes*</b>	<b>No*</b>
1		Whether the Listed Entity has issued any partly paid up shares?		No
2		Whether the Listed Entity has issued any Convertible Securities or Warrants?		No
3		Whether the Listed Entity has any shares against which depository receipts are issued?		No
4		Whether the Listed Entity has any shares in locked-in?		No
5		Whether any shares held by promoters are pledge or otherwise encumbered?		No
6		Whether the listed entity has any significant beneficial owner?		No

For & on behalf of  
**JHS Svendgaard Laboratories Ltd**

Vinay Mittal

Director

DIN: 08232559

Address: A-802, Amrapali Sapphire, Sector-45

Gautam Budha Nagar -201301

Date: 22.09.2023

Place: New Delhi