

November 03, 2018

To,
Board of Directors
Linc Pen and Plastics Limited
Satyam Towers, 3, Alipore Road
1st Floor, Kolkata - 700 027

Dear Sir,

Sub: Fairness Opinion on the Valuation Report issued by N S Kumar & Co., Chartered Accountants for the merger of the remaining business of Linc Writing Aids Private Limited with Linc Pen and Plastics Limited

This is in accordance with the terms of our engagement, wherein Microsec Capital Limited ("Microsec"/ "We"), a SEBI registered Category I Merchant Banker has been appointed by Linc Pen and Plastics Limited ("LPPL") to provide a fairness opinion on the Valuation Report given by N S Kumar & Co., Chartered Accountants on the share exchange ratio for the proposed merger as mentioned above. This report is being issued in terms of SEBI circular CFD/DIL3/CIR/2017/21 dated 10th March, 2017 for the proposed scheme of arrangement and amalgamation pursuant to sections 230 and 232 and other relevant provisions of the Companies Act, 2013. This Report sets out Microsec's opinion on the share exchange ratio as determined in the valuation report for the proposed transaction.

Further, please note that the name of Microsec Capital Limited has been changed to Narnolia Financial Advisors Limited in the records of the Registrar of Companies. However, the application made to SEBI and other authorities is under process.

All the terms mentioned here shall have the meaning as ascribed in the Report.

This letter forms an integral part of the Report.

Yours faithfully,

For Microsec Capital Limited



Manav Goenka
Vice President





Fairness Opinion

On the Valuation Report

Issued by

N S Kumar & Co., Chartered Accountants

For the Merger of

Remaining Business of Linc Writing Aids Private Limited

With

Linc Pen and Plastics Limited

MERCHANT BANKERS' REPORT

November 03, 2018

MICROSEC
MICRO FOCUS. MEGA WEALTH
Microsec Capital Limited
236B, AJC Bose Road
2nd Floor, Marble Arch Building
Kolkata – 700 020

CONTENTS

1. INTRODUCTION
2. PURPOSE OF FAIRNESS OPINION
3. LEGAL DISCLAIMER
4. SOURCES OF INFORMATION RELIED UPON BY US FOR THE FAIRNESS OPINION
5. BRIEF BACKGROUND OF THE COMPANIES UNDER REFERENCE
6. VALUATION TECHNIQUE ADOPTED BY THE VALUER TO ASCERTAIN THE EXCHANGE RATIO
7. EXCHANGE RATIO RECOMMENDED
8. OPINION ON EXCHANGE RATIO



1. INTRODUCTION

Linc Writing Aids Private Limited ("**LWAPL**" or the "**Transferor Company**" or the "**Demerged Company**") is engaged in the business of trading and retailing of stationery and crockery. The Company has two divisions - Trading and showroom (retail). In the trading division, it is engaged in trading of stationeries which it purchases from Linc Pen & Plastic Ltd. and sells to consumers. Showroom business includes outlets opened for sale of stationery and crockery goods. Apart from these, LWAPL also holds investments in the equity shares of Linc Pen & Plastics Limited.

Linc Retail Limited ("**LRL**" or the "**Resulting Company**"), is engaged in sale of writing instruments and stationeries through retail outlets across the State of West Bengal.

Linc Pen & Plastics Limited ("**LPPL**" or the "**Transferee Company**"), is engaged in the manufacturing and distribution of Pens and related products. The Company's writing pens have a national and international presence in over 50 countries. The equity shares of LPPL are currently listed on the Calcutta Stock Exchange Limited, BSE Limited and National Stock Exchange of India Limited.

Linc Writing Aids Private Limited, Linc Retail Limited and Linc Pen & Plastics Limited – all the three Companies are under the same Management. As a part of its corporate restructuring activity, the Board of Directors of Linc Writing Aids Private Limited have decided to demerge the trading and retail business of LWAPL. Further, it is proposed to merge the Showroom division (retail business) with Linc Retail Limited. The remaining business of Linc Writing Aids Private Limited i.e. the trading division and the investments in LPPL is proposed to be merged with Linc Pen & Plastics Limited.

The above mentioned transactions are proposed pursuant to a scheme of Arrangement and Amalgamation under sections 230 and 232 and other relevant provisions of the Companies Act, 2013 ("**the Scheme**"). The proposed restructuring would result in elimination of chain holdings and result in ultimate beneficial owner becoming direct shareholder of the companies.

Further, the proposed arrangement will result in reduction in the number of companies under the common management which will ensure synergies of operations, capital efficiency, improved cash flows and greater business efficiency and avoid duplication of work and efforts and reduce managerial overlaps and towards their common advantage.

The exchange ratio for the proposed merger has been decided based on a valuation report issued by N S Kumar & Co., Chartered Accountants (the "**Valuer**"). The report issued by the valuer provides share exchange ratio for the proposed demerger of the undertaking comprising of the Showroom business of LWAPL into LRL and for the merger of the entire remaining business of LWAPL which primarily comprises of the Trading division and investments in LPPL with Linc Pen and Plastics Limited.

For the purpose of ascertaining the fairness of the valuation with respect to transfer of the remaining business of LWAPL i.e. trading division and investments held by Linc Writing Aids Private Limited in LPPL into Linc Pen & Plastics Limited, Microsec Capital Limited ("**Microsec**") has been appointed as an independent Merchant Banker for furnishing a fairness opinion on the valuation done by the Valuer.



2. PURPOSE OF FAIRNESS OPINION

As per SEBI circular CFD/DIL3/CIR/2017/21 dated 10th March, 2017 in relation to schemes of arrangement by listed entities, the companies going through any arrangement/amalgamation/reconstruction etc. are required to obtain a "Fairness Opinion" from an Independent Merchant Banker relating to the valuation of assets/ shares done by the Valuer.

Our Fairness Opinion is limited to the share exchange ratio proposed for the transfer of the remaining business of Linc Writing Aids Private Limited into Linc Pen & Plastics Limited as per the mentioned Scheme. This report should not be construed to give any opinion on the share exchange ratio for the proposed merger of the showroom division of Linc Writing Aids Private Limited into Linc Retail Limited.

3. LEGAL DISCLAIMER

We have been requested to issue a Fairness Opinion Report on the Report given by N S Kumar & Co., Chartered Accountants on the share exchange ratio for the proposed merger. In preparing this Fairness Opinion Report, we have relied upon and assumed, without independent verification, the accuracy and completeness of all information provided to us.

In furnishing this Report, we reserve the right to amend or replace the Report at any time. Our views are necessarily based on economic, market, and other conditions currently in effect, and the information made available to us, as of the date hereof. It should be understood that subsequent developments may affect our views and that we do not have any obligation to update, revise, or reaffirm the views expressed in the Report. Nothing contained within the Report is or should be relied upon as a promise or representation as to the future.

The Report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to herein.

This report does not look into the business/ commercial reasons behind the transaction nor the likely benefits arising out of the same. Similarly, the report does not address the relative merits of the transaction as compared with any other alternative business transaction, or other alternatives, or whether or not such alternatives could be achieved or are available. This report is restricted to expressing opinion on the fairness of share exchange ratio only.

We owe responsibility only to the management of Linc Pen & Plastics Limited, who have appointed us, and nobody else.

The fee for the Engagement is not contingent upon the results reported.



Neither the report nor its contents may be referred to or quoted in any registration, statement, prospectus, offering memorandum, annual report, loan agreement or other agreement or document given to third parties, other than in connection with the proposed merger.

4. SOURCES OF INFORMATION RELIED UPON BY US FOR THE FAIRNESS OPINION

We have prepared the Fairness Opinion Report on the basis of the following information provided to us:

- Draft scheme of Arrangement
- Valuation Report dated 3rd November 2018 issued by N S Kumar & Co., Chartered Accountants, recommending the share exchange ratio
- Audited Annual Financial statements of LWAPL, LPPL & LRK for the financial year 2017-18
- Other data collated by us from publicly available sources.

We have also obtained necessary explanations and information, which we believed were relevant to the present exercise, from the executives and representatives of the companies.

5. BRIEF BACKGROUND OF THE COMPANIES UNDER REFERENCE

Linc Writing Aids Private Limited

Linc Writing Aids Private Limited (“LWAPL” or the “Transferor Company” or the “Demerged Company”) having Corporate Identity Number (“CIN”) U36991WB1984PTC037641, is an unlisted private limited company incorporated on 26 June 1984 under the Companies Act, 1956 and having its registered office at Satyam Towers, 3, Alipore Road, 1st Floor, Kolkata 700 027. The authorised share capital of LWAPL is Rs. 50,00,000/- (Rupees fifty lakhs only), issued, subscribed and paid-up share capital of LWAPL is Rs. 49,25,900/- (Rupees forty nine lakhs twenty five thousand and nine hundred only). LWAPL is engaged in the trading and retail business of stationery and crockery. LWAPL, primarily has two business divisions one for trading activities and other is Showroom division which has a few retail outlets.

- Showroom division includes outlets in different part of the Kolkata city for sale of stationery and crockery goods.
- The remaining business comprises of the trading division which is engaged in the business of trading of stationeries, which it purchases from LPPL and sell to consumers. Apart from these, this undertaking also includes equity shares held by the LWAPL in LPPL.

Linc Retail Limited

Linc Retail Limited (“LRL” or the “Resulting Company”), having CIN U36991WB2006PLC110683, is a public limited company incorporated on 20 July 2006 under the Companies Act, 1956 and having its registered office at 3, Alipore Road Kolkata 700 027. The authorised share capital of LRL is Rs.



2,60,00,000/- (Rupees two crores and sixty lakhs only) and the issued, subscribed and paid-up share capital of LRL is Rs. 2,52,00,000/- (Rupees two crores and fifty two lakhs only). Linc Retail Limited is engaged in sale of writing instruments and stationeries through retail outlets across the State of West Bengal.

Linc Pen & Plastics Limited

Linc Pen & Plastics Limited (“LPPL” or the “Transferee Company”), having CIN L36991WB1994PLC065583, is a listed public limited company incorporated on 24 October 1994 under the Companies Act, 1956 and having its registered office at Satyam Towers, 3, Alipore Road, 1st Floor, Kolkata 700 027. The authorised share capital of LPPL is Rs. 15,00,00,000 (Rupees fifteen crores only), issued, subscribed and paid-up share capital of LPPL is Rs. 14,78,60,000/- (Rupees fourteen crores seventy eight lakhs sixty thousand only). LPPL is engaged in the manufacturing and distribution of Pens and related products.

LPPL has manufacturing units in Serakol and Falta. It has an exclusive license to distribute and market Uniball products. The equity shares of LPPL are currently listed on the Calcutta Stock Exchange Limited, BSE Limited and National Stock Exchange of India Limited.

The shareholding pattern of Linc Pen & Plastics Limited as on 30th September 2018 is as follows:

Category of Shareholder	No. of shares held	% of Holding
Promoter & Promoter Group	87,82,654	59.40%
Public	60,03,306	40.60%
Total	1,47,85,960	100.00%

Source: www.bseindia.com

6. VALUATION TECHNIQUES ADOPTED BY THE VALUER TO ASCERTAIN THE EXCHANGE RATIO

The Valuer has arrived at the exchange ratio considering the following valuation methodologies:

Net Asset Value Method

This asset based value analysis technique is based on the value of the underlying net assets of the business, either on a book value basis or realizable value basis or replacement cost basis. This methodology is likely to be appropriate for business which derives value mainly from the underlying value of its assets rather than its earnings.

This methodology has been used to value the remaining business of Linc Writing Aids Private Limited (LWAPL) comprising of trading division and the investments held in LPPL as on the Appointed Date i.e. April 01, 2018.

The remaining business of LWAPL is proposed to be transferred to LPPL. So, the assets and liabilities pertaining to the trading division as per the scheme has been considered to arrive at the swap ratio for transfer of the trading division to LPPL. Further, as on the appointed date, Linc Writing Aids Private



Limited also holds Equity Shares of LPPL. So, the Equity Shares held by LWAPL in LPPL shall stand cancelled upon the scheme becoming effective.

Further, in the valuation of the trading division, the book values of assets and liabilities have been considered except for land & building included in Property, Plant & Equipment, for which valuation of independent technical valuer has been considered. The value of land and building has been considered at their fair market value as per the report issued by Kanti Chandra Bhattacharya dated October 07, 2018.

The investment made by LWAPL in the Equity Shares of LPPL have been valued as per the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 as amended from time to time (“**SEBI ICDR Regulations**”) as described below.

Market Price 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 frequently traded.

Linc Pen & Plastics Limited is a listed company and the equity shares of the Company are frequently traded on the National Stock Exchange of India Limited within the meaning of SEBI ICDR Regulations.

As per SEBI circular CFD/DIL3/CIR/2017/21 dated 10th March, 2017 in relation to schemes of arrangement by listed entities for allotting shares to the shareholders of unlisted entity, the pricing provisions of chapter VII of SEBI ICDR Regulations will be applicable. As per the mentioned regulation the equity shares shall be allotted at a price not less than higher of the following:

- (a) The average of the weekly high and low of the volume weighted average price of the related equity shares quoted on the recognised stock exchange during the twenty six weeks preceding the relevant date; or
- (b) The average of the weekly high and low of the volume weighted average prices of the related equity shares quoted on a recognised stock exchange during the two weeks preceding the relevant date.

Therefore, for the valuation of Equity shares of LPPL, the Valuer has arrived at a valuation based on the abovementioned parameters.



7. EXCHANGE RATIO RECOMMENDED

Based on the valuation range arrived from the aforesaid valuation methods, the Valuer has recommended the following Exchange Ratio:

Merger of remaining business of Linc Writing Aids Private Limited with Linc Pen and Plastics Limited

EXCHANGE RATIO of 34 : 1 i.e. 34 (Thirty four) equity shares of Linc Pen and Plastics Limited of face value of Rs.10/- each fully paid up for every 1 (one) equity share of Linc Writing Aids Private of face value of Rs. 100/- each fully paid up.

8. OPINION ON EXCHANGE RATIO

Based on the information, material and data made available to us, including the Report of the Valuer and the working thereto, in our opinion the said share exchange ratio recommended for the merger of remaining business of Linc Writing Aids Private Limited i.e. the trading division and the investments held in LPPL, with Linc Pen and Plastics Limited is fair and proper.

For Microsec Capital Limited



Manav Goenka
Vice President
Investment Banking



Note: The name of Microsec Capital Limited has been changed to Narnolia Financial Advisors Limited in the records of the Registrar of Companies. However, the application made to SEBI and other authorities is under process.