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Annexure 3

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Date: 19 December 2013

The Board of Directors
AksharChem (India) Ltd.
166 / 169, Indrad Village,
Kadi Kalol Road,
Dist. Mehsana, Gujarat – 382 727

The Board of Directors
Asahi Songwon Colors Limited
167 - 168, Indrad Village,
Kadi Kalol Road,
Dist. Mehsana, Gujarat – 382 727

Sub: Recommendation of exchange ratio for the purpose of the proposed demerger of 'Green Division' of Asahi Songwon Colors Limited into AksharChem (India) Limited

Dear Sirs,

We refer to the engagement letter dated 20 September 2013 with B S R and Associates ("BSR", the "Valuer" or "We"), wherein Asahi Songwon Colors Limited ("ASCL") and AksharChem (India) Limited Limited ("ACIL") (together referred to as "the Companies") have requested us to recommend an exchange ratio in connection with the proposed demerger 'Green Division' of ASCL into ACIL (the "Transaction").

SCOPE AND PURPOSE OF THIS REPORT

AksharChem (India) Limited ('ACIL'), incorporated in 1985, is an public limited company. The shares of ACIL are listed on BSE Limited and Ahemdabad Stock Exchange. ACIL is engaged in the business of manufacturing of dyes and intermediates. The principal products of the company is vinyl suphone, which is a used in manufacturing of reactive dyes, which has application in color, paint, pigments, rubber, textiles, plastics and leather.

Asahi Songwon Colors Limited ('ASCL'), incorporated in 1990, is an public limited company. The shares of ASCL are listed on the BSE Limited and the National Stock Exchange of India Limited. The company is engaged in manufacture of phthalocyanine pigments. The company's product comprises of Green – 7, Beta Blue and CPC Blue crude. The 'Green Divison' of the company produces Green - 7 product.

We understand that the respective Boards of Companies are proposing to demerge Green Division of ASCL into ACIL with effect from the Appointed Date of 1 April 2014, by implementing a Scheme of Arrangement under Sections 391-394 of the Companies Act, 1956 ("Scheme of Demerger"). As part of the proposed demerger of Green Division, the shareholders of ASCL will be issued equity shares of ACIL.

BSR has been requested by the respective Management of the Companies to submit a report recommending a fair exchange ratio in connection with the Transaction ("the Valuation Report"). This

Valuation Report is to be placed before the audit committees, as per SEBI Circular CIR/CFD/DIL/5/2013 dated 4 February 2013, as amended by CIR/ CFD/DIL/8/2013 dated 21 May 2013 and, to the extent mandatorily required under applicable laws of India, may be produced before judicial, regulatory or government authorities, in connection with the Transaction.

We have carried out a relative valuation of the equity shares of Green Division of ASCL and ACIL as of 30 September 2013 ("Valuation Date") with a view to arrive at the fair exchange ratio for the purpose of the proposed demerger.

This Valuation Report is our deliverable to the above engagement.

This Valuation Report is subject to the scope, assumptions, exclusions, limitations and disclaimers detailed hereinafter. As such the Valuation Report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein.

SOURCES OF INFORMATION

In connection with preparing this Valuation Report, we have received the following information from the management of the Companies ("Management"):

- Audited financial statements of ACIL for the years ended 31 March 2011 to 31 March 2013
- Audited financial statements of ASCL for the years ended 31 March 2011 to 31 March 2013
- Audited financial statements of ACIL and Green Division for the 6 months period ended 30 September 2013
- Management Business Plan for ACIL and Green Division for the period 1 October 2013 to 31 March 2019
- Draft Scheme of Arrangement
- Interviews and discussions with the Management of the Companies to augment our knowledge of the operations of the Companies and
- Information and documents as provided by the Companies for the purposes of this engagement.

We have also obtained explanations and information considered reasonably necessary for our exercise, from the executives and representatives of the Companies. The Companies have been provided with the opportunity to review the draft Valuation Report (excluding the recommended swap ratio) for this engagement to make sure that factual inaccuracies are avoided in our final Valuation Report.

SCOPE LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS AND DISCLAIMERS

Provision of valuation opinions and consideration of the issues described herein are areas of our regular practice. The service does not represent accounting, assurance, accounting/ tax due diligence, consulting or tax related services that may otherwise be provided by us or our affiliates.

This Valuation Report, its contents and the results herein are specific to (i) the purpose of valuation agreed as per the terms of our engagement; (ii) the date of this Valuation Report and (iii) are based on the balance sheet of the Companies as at 30 September 2013. The Management has represented that the business activities of 'Green Division' of ASCL and ACIL have been carried out in the normal and ordinary course between 31 March 2013 and the Valuation Date and that no material adverse change has occured in their respective operations and financial position between 31 March 2013 and the Valuation Date. A valuation of this nature is necessarily based on prevailing stock market, financial, economic and other conditions in general and industry trends in particular as in effect on, and the information made available to us as of, the date hereof. Events occurring after the date hereof may affect this Valuation Report and the assumptions used in preparing it, and we do not assume any obligation to update, revise or reaffirm this Valuation Report.

The recommendation(s) rendered in this Valuation Report only represent our recommendation(s) based upon information received till 17 December 2013 furnished by the Companies and other sources and the said recommendation(s) shall be considered to be in the nature of non-binding advice, (our recommendation will however not be used for advising anybody to take buy or sell decision, for which specific opinion needs to be taken from expert advisors). Further, the determination of exchange ratio is not a precise science and the conclusions arrived at in many cases will, of necessity, be subjective and dependent on the exercise of individual judgement. There is, therefore, no indisputable single exchange ratio. While we have provided our recommendation of the exchange ratio based on the information available to us and within the scope and constraints of our engagement, others may have a different opinion as to the exchange ratio of equity shares of ASCL and ACIL. You acknowledge and agree that you have the final responsibility for the determination of the exchange ratio at which the proposed demerger shall take place and factors other than our Valuation Report will need to be taken into account in determining the exchange ratio; these will include your own assessment of the proposed Transaction and may include the input of other professional advisors.

In the course of the valuation, we were provided with both written and verbal information, including market, technical, financial and operating data.

In accordance with the terms of our respective engagements, we have assumed and relied upon, without independent verification, (i) the accuracy of the information that was publicly available and formed a substantial basis for this Valuation Report and (ii) the accuracy of information made available to us by the Companies. We have not carried out a due diligence or audit of the Companies for the purpose of this engagement, nor have we independently investigated or otherwise verified the data provided. We are not legal or regulatory advisors with respect to legal and regulatory matters for the Transaction. We do not express any form of assurance that the financial information or other information as prepared and provided by the Companies is accurate. Also, with respect to explanations and information sought from the Companies, we have been given to understand by the Companies that they have not omitted any relevant and material factors and that they have checked the relevance or materiality of any specific information to the present exercise with us in case of any doubt. Accordingly, we do not express any opinion or offer any form of assurance regarding its accuracy and completeness. Our conclusions are based on these assumptions and information given by/on behalf of the Companies. The respective Managements of the Companies have indicated to us that they have understood that any omissions, inaccuracies or misstatements may materially affect our valuation analysis/results. Accordingly, we assume no responsibility for any errors in the information furnished by the Companies and their impact on the Valuation Report. Also, we assume no responsibility for technical information (if any) furnished by the Companies. However nothing has come to our attention to indicate that the information provided was materially mis-stated/ incorrect or would not afford reasonable grounds upon which to base the Valuation Report. We do not imply and it should not be construed that we have verified any of the information provided to us, or that our inquiries could have verified any matter, which a more extensive examination might disclose.

The Valuation Report assumes that the Companies comply fully with relevant laws and regulations applicable in all its areas of operations unless otherwise stated, and that the Companies will be managed in a competent and responsible manner. Further, except as specifically stated to the contrary, this Valuation Report has given no consideration to matters of a legal nature, including issues of legal title and compliance with local laws, and litigation and other contingent liabilities that are not recorded in audited balance sheet of the Companies. Our conclusion of value assumes that the assets and liabilities of the Companies, reflected in their respective latest balance sheets remain intact as of the Valuation Date.

This Valuation 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.

No investigation of the Company's claim to title of assets has been made for the purpose of this Valuation Report and the Company's claim to such rights has been assumed to be valid. No consideration has been given to liens or encumbrances against the assets, beyond the loans disclosed in the accounts. Therefore, no responsibility is assumed for matters of a legal nature. The book values of the assets and liabilities of the Companies have been considered as representative of their intrinsic value in the absence of any report of external valuers.

The fee for this engagement is not contingent upon the results reported.

We owe responsibility to only the Board of Directors of the Companies which have retained us, and nobody else. We will not be liable for any losses, claims, damages or liabilities arising out of the actions taken, omissions of or advice given by any other to ASCL or ACIL.

We do not accept any liability to any third party in relation to the issue of this Valuation Report. This Valuation Report is not a substitute for the third party's own due diligence/ appraisal/ enquiries/ independent advice that the third party should undertake for his purpose. It is understood that this analysis does not represent a fairness opinion.

This Valuation Report is subject to the laws of India.

'Neither, the Valuation 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 Transaction, without our prior written consent. In addition, this Valuation Report does not in any manner address the prices at which equity shares of ASCL and ACIL will trade following consummation of the Transaction and we express no opinion or recommendation as to how the shareholders of either of these Companies should vote at any shareholders' meeting(s) to be held in connection with the Transaction.

BACKGROUND OF ACIL and ASCL

AksharChem (India) Limited

ACIL is engaged in the business of manufacturing of dyes and intermediates. The principal products of the company is Vinyl Suphone, which is a used in manufacturing of reactive dyes. The company has current installed capacity of 6,000 MT per annum of which around 4,000 MT is exported.

For FY 2013, the company's revenues was INR 958 Mn with profit after tax of INR 38 Mn. For the 6 months ended 30 September 2013, the company reported a revenue of INR 728 Mn with profit after tax of INR 145 Mn.

The shareholding pattern as at 30 September 2013 is as follows:

Category	% shareholding
Promoters	73.01
Public shareholders	26.99
Total	**100.00**

Source: BSE Limited

Asahi Songwon Colors Limited

Asahi Songwon Colors Limited ('ASCL' is engaged in manufacture of phthalocyanine pigments. The company's Green Division has an installed capacity of 1,440 TPA of CPC Green.

The plants of the company are ISO 9001:2008 and ISO 14001:2004 certified.

For FY 2013, the Green Dvisions revenue was INR 692 Mn with profit after tax of INR 42 Mn. For the 6 months ended 30 September 2013, the company reported a revenue of INR 331 Mn with profit after tax of INR 25 Mn for Green Division.

The shareholding pattern as at 30 September 2013 is as follows:

Category	% shareholding
Promoters	61.48
Public shareholders	38.52
Total	**100.00**

Source: BSE Limited

APPROACH - BASIS OF DEMERGER

Arriving at the fair exchange ratio for the demerger of Green Dvision of ASCL with ACIL would require determining the equity value of Green Division of ASCL in terms of the value of the equity shares of ACIL. These values are to be determined independently but on a relative basis, and without considering the current transaction.

There are several commonly used and accepted methods for determining the value of the equity shares of a company, which has been considered in the present case, to the extent relevant and applicable, including:

1. Comparable Companies' Multiples method / Guideline Company method
2. Historical and Current Market Price method
3. Discounted Cash Flow method
4. Net Asset Value method

It should be understood that the valuation of any company or its assets is inherently imprecise and is subject to certain uncertainties and contingencies, all of which are difficult to predict and are beyond our control. In performing our analysis, we made numerous assumptions with respect to industry performance and general business and economic conditions, many of which are beyond the control of the Companies. In addition, this valuation will fluctuate with changes in prevailing market conditions, the conditions and prospects, financial and otherwise, of the Companies, and other factors which generally influence the valuation of companies and their assets.

The application of any particular method of valuation depends on the purpose for which the valuation is done. Although different values may exist for different purposes, it cannot be too strongly emphasized that a valuer can only arrive at one value for one purpose. Our choice of methodology of valuation has been arrived at using usual and conventional methodologies adopted for transactions of a similar nature and our reasonable judgment, in an independent and bona fide manner based on our previous experience of assignments of a similar nature.

Comparable Companies' Multiple (CCM) / Guideline Company method

Under this method, value of the equity shares of a company is arrived at by using multiples derived from valuations of comparable companies or comparable transactions, as manifest through stock market valuations of listed companies and the transaction valuation. 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 differences between the circumstances.

Taking into consideration, that this is a relative valuation, and that ACIL had made losses in FY 2011-12, we have not applied this methodology for the purpose of our valuation analysis. Further, we have not used the comparable transactions analysis as well as this Transaction is in the form of share to share fair exchange, therefore absolute multiples paid in comparable Transactions are not relevant.

Historical and Current 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 regularly and freely traded in, subject to the element of speculative support that may be inbuilt in the value of the shares. But there could be situations where the value of the share as quoted on the stock market would not be regarded as a proper index of the fair value of the share especially where the market values are fluctuating in a volatile capital market.

Further, as per the SEBI Takeover code - **"frequently traded shares"** means shares of a target company, in which the traded turnover on any stock exchange during the twelve calendar months preceding the calendar month in which the public announcement is made, **is at least ten per cent of the total number of shares** of such class of the target company."

In addition to the above, in the case of a demerger, where there is a question of evaluating the shares of one company against those of another, the volume of transactions and the number of shares available for trading on the stock exchange over a reasonable period would have to be of a comparable standard.

The shares of ACIL are not frequently traded (as defined above). Further, there is no independent market price for Green Dvision of of ASCL. Hence, on a relative basis we have ignored the Historical and Current Market Price Method for our valuation analysis.

Discounted Cash Flows (DCF) Method

Under the DCF method the projected free cash flows to the firm are discounted at the weighted average cost of capital. The sum of the discounted value of such free cash flows is the value of the firm.

Using the DCF analysis involves determining the following:

Estimating future free cash flows:

Free cash flows are the cash flows expected to be generated by the company that are available to all providers of the company's capital – both debt and equity.

Appropriate discount rate to be applied to cash flows i.e. the cost of capital.

This discount rate, which is applied to the free cash flows, should reflect the opportunity cost to all the capital providers (namely shareholders and creditors), weighted by their relative contribution to the total capital of the company. The opportunity cost to the equity capital provider equals the rate of return the capital provider expects to earn on other investments of equivalent risk.

To the values so obtained generally from DCF analysis, the amount of loans is adjusted to arrive at the total value available to the equity shareholders. The total value for equity shareholders is then divided by the total number of equity shares in order to work out the value per equity share of the Companies.

For the purpose of DCF valuation, the free cash flow forecast is based on management business plans for each Company as provided by the respective Management of the Companies ("Management Business Plans").

We have applied the DCF method for this valuation analysis using past trends, longer term forecasts based on past and current financial trends and general economy and industry outlook, for both Green Dvision of ASCL and ACIL.

We must emphasize that realisations of free cash flow forecast will be dependent on the continuing validity of assumptions on which they are based. Our analysis, therefore, will not, and cannot be directed to providing any assurance about the achievability of the final projections. Since the financial forecasts relate to future, actual results are likely to be different from the projected results because events and circumstances do not occur as expected, and the differences may be material. While carrying out this engagement, we have relied extensively on historical information made available to us by the Management of the Companies and the respective Management Business Plans for future related information. We did not carry out any validation procedures or due diligence with respect to the information provided/extracted or carry out any verification of the assets or comment on the achievability and reasonableness of the assumptions underlying the financial forecasts, save for satisfying ourselves to the extent possible that they are consistent with other information provided to us in the course of this engagement.

To arrive at the total value available to the equity shareholders of each of the Companies, value arrived above under DCF method for the Companies is adjusted for the value of loans, cash and cash equivalents, surplus / non operating assets / liabilities (e.g. contingent liability etc). The total value for equity shareholders is then divided by the number of equity shares in order to work out the value per equity share of the ACIL / Green Division.

Net Asset Value (NAV) Method

The asset based valuation 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. Under the Net Asset Value approach, total value is based on the sum of book values as recorded on the consolidated balance sheet of respective companies.

We have used Net Asset Value method for both the Companies.

BASIS OF DEMERGER

The basis of DEmerger of Green Division of ASCL with ACIL would have to be determined after taking into consideration all the factors and methodologies mentioned hereinabove. Though different values have been arrived at under each of the above methodologies, for the purposes of recommending a fair exchange ratio it is necessary to arrive at a single value for the equity shares of ASCL and ACIL. It is however important to note that in doing so, we are not attempting to arrive at the absolute value of the equity shares ASCL and ACIL, but at their comparative values to facilitate the determination of a fair exchange ratio. For this purpose, it is necessary to give appropriate weights to the values arrived at under each methodology.

The fair exchange ratio has been arrived on the basis of a relative valuation of the equity shares of ASCL and ACIL, based on the methodology applied for their valuation (as explained herein earlier) and various qualitative factors relevant to company/division and the business dynamics and growth potentials of the businesses, having regard to information base, key underlying assumptions and limitations.

In the ultimate analysis, valuation will have to be adjusted by the exercise of judicious discretion and judgment taking into account all the relevant factors. There will always be several factors, e.g. quality and integrity of the management, present and prospective competition, yield on comparable securities and market sentiment, etc. which are not evident from the face of the balance sheets but which will strongly influence the worth of a share.

Again, it is understood that this analysis does not represent a fairness opinion.

In light of the above, and on a consideration of all the relevant factors and circumstances as discussed and outlined hereinabove, we consider that the fair exchange ratio for the demerger of Green Division into ACIL should be 5 (five) equity shares of ACIL of INR 10/- each fully paid up for every 26 (twenty six) equity shares of ASCL of INR 10/- each fully paid up.

Respectfully submitted.

For B S R and Associates
Chartered Accountants
Firm Registration No: 128901W

Manek Vikamsey
Partner
Membership No: 108235

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FOR, AKSHARCHEM (INDIA) LTD.
Authorised Signatory

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Project Aqua

Security cover

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Project Aqua

Demerger of 'Green Unit' of Asahi Songwon Colors Limited into AksharChem (India) Limited

Summary Workings

Supporting calculations for Share Exchange Ratio

19 December 2013

Notice to the Reader

- B S R and Associates ("BSR") has been appointed by AksharChem (India) Limited ("ACIL") and Asahi Songwon Colors Limited ("ASCL") (together referred to as 'Companies' or 'Client') as independent valuers in relation to recommending a share swap ratio to the Board of Directors for the proposed demerger of 'Green Unit' of ASCL into ACIL. The appointed date for demerger is 1 April 2014.

- The summary working are confidential and is given on the express understanding that it is not communicated, in whole or in part, to any third party without BSR's prior written consent except to the extent required to be produced before judicial, regulatory or government authorities in connection with this Transaction. Neither summary workings nor its content may be used for any other purpose without prior written consent of BSR

- The summary workings are based on the information provided to BSR by the management of ACIL and ASCL which BSR has not independently verified, validated or expressed an opinion on. Neither BSR, nor its affiliated partnerships or bodies corporate, nor directors, managers, partners, employees or agents of any of them, makes any representation or warranty, expressed or implied, as to the accuracy, reasonableness or completeness of the information contained in the summary wordings. All such parties and entities expressly disclaim any and all liabilities for or based on relating to any such information contained herein, or errors or omission from summary workings or based on or relating to the use of summary workings.

- The summary working in which this notice is incorporated does not constitute an offer or invitation to any section of the public to subscribe for or purchase any security in, or assets or liabilities of ACIL or ASCL. This notice forms integral part of summary workings.

Swap ratio:

Calculation of fair exchange ratio of equity shares for Demerger of 'Green Unit' of Asahi Songwon Colors Limited ('ASCL') into AksharChem (India) Limited ('ACIL')

Method	ACIL		Green Unit		Exchange Ratio
	Value per share	Weights	Value per share	Weights	
Net Assets Value	63.9	1	21.0	1	
Discounted Cash flow	162.5	2	27.0	2	
Weighted Average Price	**129.6**		**25.0**		**5.2**
	Annexure I		Annexure II		

5 (five) equity share of ACIL of INR 10/- each for every 26 (twenty six) equity shares of ASCL of Rs 10/- each

B S R and Associates is a member firm of B S R & Affiliates network of firms, registered with the Institute of Chartered Accountants of India. The other firms which are part of the B S R & Affiliates network include B S R & Co., B S R & Associates, B S R & Company, B S R and Co, B S R and Company, B S R R & Co and B S S R & Co.

Annexure I

ACIL

Net assets value Method	Net assets value
Particulars	**Amt (in INR Mn)**
Net Asset Value	308.1
Add: Appreciation in value of Investments	10.0
Less: Contingent Liabilities	1.8
Adjusted Net Asset Value	**316.3**
Number of Equity Shares	4,952,850
Value per share (in INR)	**63.9**

Discounted Cash flow Method	
Particulars	**Amt (in INR Mn)**
Enterprise Value	797.8
Less: Debt and Other Liabilities	47.7
Add: Cash and cash equivalents	10.6
Add: Fair value of investment	44.1
Equity Value	**804.9**
Number of Equity Shares	4,952,850
Value per share (in INR)	**162.5**

Annexure II

Green Unit of ASCL

Net assets value Method	
Particulars	**Amt (in INR Mn)**
Net Asset Value	257.1
Number of Equity Shares	12,272,262
Value per share (in INR)	**21.0**

Discounted Cash flow Method	
Particulars	**Amt (in INR Mn)**
Enterprise Value	582.0
Less: Debt	255.1
Add: Cash and cash equivalents	4.5
Equity Value	**331.4**
Number of Equity Shares	12,272,262
Value per share (in INR)	**27.0**

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