

# Valuation Analysis

for Preferential Allotment of Equity Shares/ warrants of

## Suraj Industries Limited

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25<sup>th</sup> March, 2022

Strictly Private & Confidential

 **Corporate  
Professionals**



To  
**The Audit Committee**  
**Suraj Industries Limited**  
 Plot No. 2, Phase III,  
 Sansarpur Terrace, Dist. Kangra,  
 Himachal Pradesh - 173212

Ref. No.: CPV/RV/2021-22/022

**Sub: Valuation Analysis of Equity Shares of Suraj Industries Limited as per SEBI (ICDR) Regulations.**

Dear Sir/Madam,

We, a Insolvency and Bankruptcy Board of India ("IBBI") Registered Valuer ("herein-after-referred as "Valuer") have been appointed as valuers by **Suraj Industries Limited** ("Company/ Client") to assist in determination of the fair value of equity shares of the Company for allotment of Equity Shares / Warrants on preferential basis to certain investors.

The underlying transaction is the preferential issue of equity shares / warrants of Company to certain residents. The Company is frequently traded company listed on BSE Ltd. In terms of Regulation 166A read with Regulation 164 of SEBI (Issue of Capital & Disclosure Requirements) Regulations, 2018, a preferential issue, which may result in a change in control or allotment of more than 5 % of the post issue fully diluted share capital of an issuer, to an allottee or to allottees acting in concert, shall require a valuation report from an independent registered valuer and should be considered for determining the issue price.

Based on our valuation analysis of equity shares of **Suraj Industries Limited** and subject to the notes and comments provided herein, we hereby certify that the equity value and value per equity share of the Company as on 25<sup>th</sup> March, 2022 are **INR 1,278.48 million & INR 133.98**, respectively.

This certificate is being issued for compliance with aforesaid regulatory purpose only and the value determined herein would be the minimum price for this purpose. We further undertake that we are an independent valuer having no present and future interest in any transaction of the Company.

Thanking you

Date: 25<sup>th</sup> March, 2022

Place: New Delhi

For Corporate Professionals Valuation Services Private Limited  
 (Registration No. IBBI/RV-E/02/2019/106)

(Sanchit Vijay)  
 Director

Enclosures:

**Annexure I:** Scope of Work

**Annexure II:** Valuation Approaches and Workings

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Corporate Professionals Valuation Services Private Limited

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## Annexure I: Scope of Work

### A. PURPOSE OF VALUATION AND APPOINTING AUTHORITY

Based on the discussions held with the management and Key Managerial Personnel (KMP's), we understand that the Company is proposing to issue certain equity shares / warrants on preferential basis. The Equity shares of the company are frequently traded company listed on BSE Ltd. In terms of Regulation 166A read with Regulation 164 of SEBI (Issue of Capital & Disclosure Requirements) Regulations, 2018 ('SEBI (ICDR) Regulations'), a preferential issue, which may result in a change in control or allotment of more than 5 % of the post issue fully diluted share capital of an issuer, to an allottee or to allottees acting in concert, shall, besides the market price, requires valuation from an independent registered valuer and should be considered for determining the issue price. Thus, we, being Registered Valuers, have been appointed as per the appointment letter dated 23<sup>rd</sup> February, 2022. We are issuing this certificate for the purpose of compliance with the Chapter V of SEBI (ICDR) Regulations.

### B. IDENTITY OF CLIENT AND OTHER INTENDED USERS

**Suraj Industries Limited**  
Plot No. 2, Phase III,  
Sansarpur Terrace, Dist. Kangra,  
Himachal Pradesh – 173212

### C. IDENTITY OF VALUER AND OTHER EXPERTS

**Corporate Professionals Valuation Services Private Limited**  
Registered Valuer (IBBI)  
Registration No. IBBI/RV-E/02/2019/106

### D. BACKGROUND INFORMATION OF THE ASSET BEING VALUED

Suraj Industries Limited is a listed Company incorporated on 9<sup>th</sup> July, 1992. It is engaged in trading of edible oils, empty glass bottles and other products. Company has started bottling operations of the Indian Made Foreign Liquor and Country Liquor from July 2021.

- **Date of Appointment-** 23<sup>rd</sup> February, 2022
- **Valuation Date / Report Date-** 25<sup>th</sup> March, 2022
- **Date of Report** - 25<sup>th</sup> March, 2022
- **Base of value** - Fair Value for allotment of Equity Shares / warrants on preferential allotment basis, without change in control
- **Valuation Currency** - INR

### E. PROCEDURES ADOPTED AND VALUATION STANDARDS FOLLOWED

We have performed this valuation in accordance with the internationally accepted valuation standards and customary valuation practices in India for such purposes.



## **F. NATURE AND SOURCES OF INFORMATION USED OR RELIED UPON**

We have reviewed the following documents including but not limited to:

- Discussions with the KMP's.
- Provisional Profit and Loss statement for 12 months period ended December 31<sup>st</sup>, 2021 and Provisional Balance Sheet as on December 31<sup>st</sup>, 2021.
- Capital line Database and other information in public domain.
- Management Representation

## **G. EXTENT OF INVESTIGATION UNDERTAKEN**

We have taken due care in performing valuation procedures, chosen peers and comparable companies based on our understanding of the financials and business of the Company. However, we would like to expressly state that though we have reviewed the financial data for the limited purpose of valuation assessment but we have not performed an audit and have relied upon the historical financials (Profits & Loss Accounts and Balance Sheets), as prepared and submitted to us by the management of the Company. The management has represented to us that it has been taken due care in preparation of such financial statements.

We would like to clarify that this valuation has been performed on a valuation date with unprecedented levels of uncertainty due to COVID-19 pandemic. It must be noted that the COVID 19 situation is creating a lot of uncertainty, especially in regard to full reopening of the economy and its impact on households across various strata of society. Thus, it should be treated as dynamic situation and any estimates and assessment today is the best possible guess with just using available information and limited past experience. The situation is dynamic and all bodies (Government, Regulators, Industry participants, consumers etc.) are seeing new challenges with time and adjusting to it with a goal of minimum disruption to life and least impact on businesses. This valuation has been done amid this uncertainty and caution is advised. We do not express any opinion on the suitability or otherwise of entering into the proposed transaction.



**Annexure II:****Valuation Approaches and Workings**

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

Approach	Valuation Methodologies	Basis of Consideration
Asset	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. However, this methodology recognizes cost of assets only without recognizing their earning potential, present earnings, comparative financial performance of its peers and their enterprise values etc.</p> <p>In the instant case, the Company is into trading business so its risk and return can be better captured by its future cash flows or comparable companies, therefore we deemed it appropriate to ignore this methodology for this valuation.</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 (e.g. Revenue, EBITDA, EBIT, Earnings per Share or Book Value) as compare to its peers.</p> <p>A key benefit of Comparable Company Market Multiple analysis is that the methodology is based on the current market stock price of multiple companies in the same industry or sector. The current stock price is generally viewed as one of the best valuation metrics because it is based on observable inputs. In the instant case, we have applied this methodology as the listed peers of the Company were available. To arrive at the value of equity shares, we have considered the 'Market Capitalization to Sales Multiples' of the comparable companies. We have determined the comparable companies, considering the industry/sector, size of operation, financial performance and other relevant factors.</p> <p>In the instant case, we have applied this methodology as the listed peers of the company were available. To arrive at the value of equity shares, we have considered the Market cap to sales Multiple of the comparable companies.</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.</p> <p>We have not applied this methodology as it is based on future business plan of the company and measures the potential value of business. However, the Company, being a listed company has not made/disclosed any long terms projections so we had to ignore this methodology.</p>



**COMPUTATION OF FAIR VALUE**

As per Market Capitalization to Sales Multiple	
Particulars	Amount (INR Million)
	for 12 Months ended 31.12.2021
Revenue from Operations (TTM) for the period ended 31.12.2021	366.61
Industry average Multiple (Peers) as on 25.03.2022	3.49
Equity Value as on 25.03.2022	1,278.48
No. of Equity Shares as on 31.12.2021	9,542,000
Value per Equity Share (INR)	133.98

To arrive at the value of equity share, we have calculated the 'Market Capitalization to Sales Multiple', wherein the sales of the Company for Trailing Twelve months (TTM) period from 1<sup>st</sup> January, 2021 to 31<sup>st</sup> December, 2021 is multiplied by the daily average Market Capitalization to Sales Multiple' of listed peer companies as on 25<sup>th</sup> March, 2022.

**We have considered below Comparable Companies as follow-on the basis of the following parameters:**

- 1. Business Model:** -We have considered only those companies whose Industry classification and business model (in terms of the principal products/services) is similar to company's business model. For Industry classification, we have relied upon the BSE and Capitaline database.
- 2. Turnover, Profit Margins and Return on Capital Employed (ROCE):** - We have considered only those companies, whose risk and return characteristics fall within close range to that of Company. The risk and return metrics have been evaluated in terms of the Turnover, Profit margins and ROCE which segment the broad industry into bifurcate cha turnover is close to Company's turnover.
- 3. Trade Volume:** -Only those companies has been considered, whose shares are frequently traded at National Stock Exchange (NSE) or Bombay Stock Exchange (BSE) in accordance with the SEBI (ICDR) Regulations, 2018.

**Based on our analysis of the Company and subject to our comments and caveats as further detailed in this report, we have arrived at the fair value of equity of the Company & Value per equity share at INR 1,278.48 Mn & INR 133.98 as on 25<sup>th</sup> March, 2022 respectively.**

**Key Note:**

- We have considered the peers considering the Breweries and Edible Oil industries as the Company is engaged in trading of edible oils, empty glass bottles and other products. Additionally, Company has started bottling operations of the Indian Made Foreign Liquor and Country Liquor from July 2021, which is also reflecting in the financials of the Company for the period ended 31<sup>st</sup> December, 2021.



**Annexure III:****Provisional Profit and Loss statement for the 12 months period ended 31<sup>st</sup> December, 2021**

Particulars	Amount in INR Million
Revenue from Operations	366.61
Other Income	0.54
<b>Total Income</b>	<b>367.15</b>
Total Operating Expenses	338.12
<b>EBITDA</b>	<b>29.03</b>
Depreciation and Amortization	4.01
<b>EBIT</b>	<b>25.02</b>
Finance Cost	0.19
<b>Profit Before Tax (PBT)</b>	<b>24.82</b>
Tax Expense	(3.08)
<b>Profit After Tax (PAT)</b>	<b>27.90</b>

**Provisional Balance Sheet as on 31<sup>st</sup> December, 2021**

Particulars	Amount in INR Million
Share Capital	95.42
Other Equity	(58.35)
<b>Total Shareholder Funds</b>	<b>37.07</b>
Non-current Liabilities	3.12
Current Liabilities	207.71
<b>Total Equity and Liabilities</b>	<b>247.89</b>
Non-current Assets	127.13
Current Assets	120.76
<b>Total Assets</b>	<b>247.89</b>



**Annexure IV: Caveats**

- This Valuation Report has been issued on the specific request of “**Suraj Industries Limited**” for determining the value of Equity Share of the Company in accordance with the SEBI (ICDR) Regulations. This Report is prepared exclusively for the above stated purpose and must not be copied, disclosed or circulated or referred to in correspondence or discussion with any other party. Neither this report nor its content may be used for any other purpose without our prior written consent.
- No consideration has been given to liens or encumbrances against the assets, beyond the loans disclosed in accounts. Therefore, no responsibility is assumed for matters of legal nature.
- In accordance with the customary approach adopted in Valuation exercise, we have summarized the Valuation Analysis of equity shares of the Company based on the information as was provided to us by the management of the Company both written, verbal and other publicly available information. We do not assume any responsibility for the accuracy or reliability of such documents on which we have relied upon in forming our opinion.
- This Report does not look into the business/commercial reasons behind the transaction nor the likely benefits arising out of the same. In addition, we express no opinion or recommendation, and the shareholders are expected to exercise their own discretion.
- We have no present or planned future interest in the Company and the fee for this Valuation analysis is not contingent upon the values reported herein. The Valuation Analysis contained herein is not intended to represent the value at any time other than the date that is specifically stated in this Report.
- The report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to herein.
- In no circumstances shall the liability of a valuer, its partners, directors or employees, relating to the services provided in connection with the engagement set out in this Valuation report shall exceed the amount paid to such valuer in respect of the fees charged by it for these services.
- Our valuation report should not be construed as investment advice; specifically, we do not express any opinion on the suitability or otherwise of entering into the proposed transaction.

