

# Valuation Report

SHANKAR LAL RAMPAL DYE-CHEM LIMITED

# VALUATION REPORT

## FOR DETERMINATION OF FAIR VALUE OF EQUITY SHARES OF "SHANKAR LAL RAMPAL DYE-CHEM LIMITED"

DATE OF VALUATION

SEPTEMBER 30<sup>th</sup>, 2019

DATE OF VALUATION REPORT

JANUARY 30<sup>th</sup>, 2020



**Prepared by:**

**Registered Valuer:** Kamna Barmecha

**IBBI Registration No.:** IBBI/RV/03/2019/12549

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## Disclaimer

This 'Valuation Report' ("report") is being furnished for determination of the fair value of equity shares of SHANKAR LAL RAMPAL DYE-CHEM LIMITED ("SRDL"), on a going concern basis. I understand that the purpose of the said report is to determine the fair value of equity shares of SRDL as on September 30, 2019. I, Kamna Barmecha, (hereafter referred to as "Registered Valuer") have been appointed by the Board of Directors of the company i.e. SRDL for submitting the fair valuation report of equity shares. The value of SRDL is to be determined with reference to valuation as on **September 30, 2019**. I have not considered the impact of any changes on the business / economic environment of the company or general industry post the valuation date.

**Relevant Date is 30th January, 2020** that is thirty days prior to the date on which the meeting of the shareholders is proposed to be held to consider the proposed preferential issue. As represented by the management the meeting of shareholders is proposed to be held on 29<sup>th</sup> February 2020. Any change in Date of meeting may impact the valuation.

The report has been prepared by Registered Valuer from information extracted from desk research, published reports and other data supplied by the management of the company and other sources believed to be reliable and true. Our scope of work does not include verification of data submitted by management and has been relied upon by us. The report may not be distributed, published, reproduced or used, without the prior express written consent of Registered Valuer, for any purpose other than the objectives of this report.

The factual data, business details and financial statements have been provided by the management of SRDL, which has been relied upon by Registered Valuer, without verifying the accuracy thereof. While the information provided herein is believed to be true and reliable to the best of our knowledge, I do not make any representations or warranties, express or implied, as to the accuracy or completeness of such information.

The report highlights the alternative approaches to valuation, identifies various factors affecting the valuation, summarizes the methodology keeping in view the circumstances of the company and arrives at the value of the company.

Kamna Barmecha  
REG. No. IBS/RV/03/2019-12548  
REGISTERED VALUER

## Sub Disclaimers-

### Valuation date:

The valuation of the Company contained herein is not intended to represent at any time other than the date that is specifically stated in this report. I have no responsibility to update this report for events and circumstances occurring after the valuation date.

### Reliance on information provided:

I have assumed and relied upon the truth, accuracy and completeness of the information, data and financial terms provided to us or used by us; I have assumed that the same are not misleading and do not assume or accept any liability or responsibility for any independent verification of such information or any independent technical valuation or appraisal of any of the assets, operations or liabilities of the Company. In the course of the valuation exercise, I have obtained both oral and written data, including market, technical, operational and financial information. I have evaluated such information through a broad comparative analysis and enquiry.

### Actual results may differ:

The assumptions used in their preparation, as I have been explained, are based on the management's present expectation of both – the most likely set of future business events and the management's course of action related to them. Wherever I have not received details information from the management, I have used our assessment of value based on experiences and circumstances of the case. It is usually the case that some events and circumstances do not occur as expected or are not anticipated.

### Questions or appearances:

Our engagement is limited to preparing the report to be submitted to the management. I shall not be liable to provide any evidence for any matters stated in the report nor shall I be liable or responsible to provide any explanation or written statement for any assumption, information, methodology or any other matter pertaining to the report.

### Complete report:

This report shall at all times be read and interpreted in full, no part of it shall be read independently for any reason whatsoever.

### Relevant Date:

Relevant Date is 30<sup>th</sup> January, 2020 that is thirty days prior to the date on which the meeting of the shareholders is proposed to be held to consider the proposed preferential issue. As represented by the management the meeting of shareholders is proposed to be held on 29th February 2020. Any change in Date of meeting may impact the valuation.



## Chapter 1: Background

### 1.1 Purpose of Valuation Exercise

- The Audit Committee of SRDL appointed Registered Valuer to issue the Valuation Report (“the report”) for determination of the fair valuation of equity shares of the company as per the internationally accepted valuation principles, as on September 30<sup>th</sup>, 2019.
- The company is looking to assess its fair value of equity shares in accordance with Regulations 164 and/or 165 (as applicable) of the SEBI (Issue of Capital & Disclosure Requirements) Regulations, 2018 (“ICDR”) using latest available Independent Auditor’s Limited Review Report on Unaudited Financial Results as on September 30<sup>th</sup>, 2019 for Preferential Allotment of Shares.
- Since Regulation 164 deals with frequently traded shares and corresponding regulation 165 deals with infrequently traded shares, I have assessed them together based on the circumstances given in this case.
- The relevant extract of the rules 164 and 165 are as under:

#### Pricing of Frequently traded shares

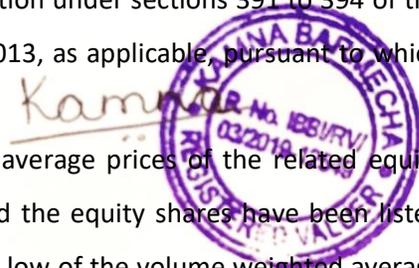
164. (1) If the equity shares of the issuer have been listed on a recognised stock exchange for a period of twenty six weeks or more as on the relevant date, the price of the equity shares to be allotted pursuant to the preferential issue shall be not less than higher of the following:

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 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.

(2) If the equity shares of the issuer have been listed on a recognised stock exchange for a period of less than twenty six weeks as on the relevant date, the price of the equity shares to be allotted pursuant to the preferential issue shall be not less than the higher of the following:

the price at which equity shares were issued by the issuer in its initial public offer or the value per share arrived at in a scheme of compromise, arrangement and amalgamation under sections 391 to 394 of the Companies Act, 1956 or sections 230 to 234 the Companies Act, 2013, as applicable, pursuant to which the equity shares of the issuer were listed, as the case may be; or

the average of the weekly high and low of the volume weighted average prices of the related equity shares quoted on the recognised stock exchange during the period the equity shares have been listed preceding the relevant date; or 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.

(3) Where the price of the equity shares is determined in terms of sub-regulation (2), such price shall be recomputed by the issuer on completion of twenty six weeks from the date of listing on a recognised stock exchange with reference to the average of the weekly high and low of the volume weighted average prices of the related equity shares quoted on the recognised stock exchange during these twenty six weeks and if such recomputed price is higher than the price paid on allotment, the difference shall be paid by the allottees to the issuer.

(4) A preferential issue of specified securities to qualified institutional buyers, not exceeding five in number, shall be made at a price not less than 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.

(5) For the purpose of this Chapter, "frequently traded shares" means the shares of the issuer, in which the traded turnover on any recognised stock exchange during the twelve calendar months preceding the relevant date, is at least ten per cent of the total number of shares of such class of shares of the issuer:

Provided that where the share capital of a particular class of shares of the issuer is not identical throughout such period, the weighted average number of total shares of such class of the issuer shall represent the total number of shares.

Explanation: For the purpose of this regulation, 'stock exchange' means any of the recognised stock exchange(s) in which the equity shares of the issuer are listed and in which the highest trading volume in respect of the equity shares of the issuer has been recorded during the preceding twenty six weeks prior to the relevant date.

#### **Pricing of Infrequently traded shares**

165. Where the shares of an issuer are not frequently traded, the price determined by the issuer shall take into account the valuation parameters including book value, comparable trading multiples, and such other parameters as are customary for valuation of shares of such companies:

Provided that the issuer shall submit a certificate stating that the issuer is in compliance of this regulation, obtained from an independent valuer to the stock exchange where the equity shares of the issuer are listed.

**The relevant extract of Section 62 (1)(C) of the Companies Act, 2013 is as under:**

62. Further issue of share capital.— (1) Where at any time, a company having a share capital proposes to increase its subscribed capital by the issue of further shares, such shares shall be offered—



(c) to any persons, if it is authorised by a special resolution, whether or not those persons include the persons referred to in clause (a) or clause (b), either for cash or for a consideration other than cash, if the price of such shares is determined by the valuation report of a registered valuer subject to such conditions as may be prescribed.

- The valuation is undertaken based on unaudited financial statements for the financial period- October 01st , 2019 to March 31<sup>st</sup>, 2024.
- **Relevant Date is 30th January, 2020** that is thirty days prior to the date on which the meeting of the shareholders is proposed to be held to consider the proposed preferential issue. As represented by the management meeting of shareholders is to be held on 29th February 2020. Any change in Date of meeting may impact the valuation.
- This report has been issued in accordance with section 247 of Companies Act 2013, which provides statutory backing to the Valuation, which requires that in respect of valuation of any property, stocks, shares, debentures, securities or goodwill or any other assets (herein referred to as the assets) or net worth of a company or its liabilities under the provision of this Act, it should be valued by a person having such qualification and experience and registered as valuer in such manner as may be prescribed.
- In view of the above background, Registered Valuer understands that the purpose of this report is to determine the fair value of equity shares of SRDL that will be allotted to the investors in accordance with the requirement of section 62(1)(c) of the Companies Act, 2013, which states that when a company proposes to issue new shares, the price of such shares should be determined by the valuation report of a Registered Valuer.

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## 1.2 Background of SRDL

SHANKAR LAL RAMPAL DYE-CHEM LIMITED, a company registered under the erstwhile Companies Act, 1956 and having its registered office at S.G. 2730 Suwana, Bhilwara Rajasthan 311001. It is a public limited company listed at the BSE SME Platform.

The Company was incorporated in the name and style of 'Shankar Lal Rampal Dye-Chem Private Limited' vide an Incorporation Certificate dated September 19, 2005 under the Companies Act, 1956. Subsequently, it was converted into a public limited company pursuant to special resolution passed at its Extra-ordinary General Meeting of our company held on April 23, 2018 and the name of company was changed to 'SHANKAR LAL RAMPAL DYE-CHEM LIMITED' vide a fresh Certificate of Incorporation consequent upon conversion dated May 08, 2018. The Corporate Identification Number of the Company is L24114RJ2005PLC021340. The Company is in the business of trading in Dyes and Chemicals

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## Chapter 2: Scope of Work & Limitation

### Scope of Work

- Registered Valuer has been appointed by Audit Committee of SRDL to issue a report on the fair valuation of equity shares of SRDL. I understand that the purpose of the said report is to determine the fair value of equity shares of the company, as on September 30, 2019.
- Registered Valuer to value the company as per Valuation rules under the Companies Act 2013.
- fair valuation of the shares of Shankar Lal Rampal Dye-Chem Limited as per Regulations 164 and/or 165 (as applicable) of the SEBI (Issue of Capital & Disclosure Requirements) Regulations, 2018 ("ICDR").
- The value is to be determined with reference to the valuation date, which is September 30, 2019.
- Relevant Date is 30<sup>th</sup> January, 2020 that is thirty days prior to the date on which the meeting of the shareholders is proposed to be held to consider the proposed preferential issue. As represented by the management the meeting of shareholders is proposed to be held on 29th February 2020. Any change in Date of meeting may impact the valuation.
- Our report on recommendation of fair value of equity shares is in accordance with International Valuation Standards as per IBBI regulations.

### Appointing Authority

- As per Section 247 of The Companies Act, 2013 in Presence of the Audit Committee, the Audit Committee of SRDL appointed Kamna Barmecha(Registered Valuer) for valuation of Equity Shares.

### Appointment date, Valuation date and Report date

- The Audit Committee appointed Kamna Barmecha on 16<sup>th</sup> Jan 2020. The analysis of the fair value of the equity share of the Company has been carried out on the valuation date i.e. September 30, 2019. The valuation report is issued on January 30<sup>th</sup>, 2020.

### Identity of the Valuer

- Kamna Barmecha is a Registered Valuer as required under the Companies (Registered Valuers & Valuation) Rules, 2017. Kamna Barmecha is registered with Insolvency & Bankruptcy Board of India vide registration number IBBI/RV/03/2019/12549.



Disclosure of Valuer Interest

- I neither have any present or any prospective contemplated financial interest in SRDL nor any personal interest with respect to the Promoters & Board of Directors of SRDL. I have no bias/prejudice with respect to any matter that is the subject of the valuation report or to the parties involved with this engagement.
- My professional fee for this valuation is based upon my normal billing rates, and not contingent upon the results or the value of the business or in any other manner.

Scope Limitations

- i. Valuation analysis and result are specific to the purpose of valuation and are based on the financial information provided to us. It may not be valid for any other purpose or as at any other date.
- ii. Valuation analysis and result are specific to the date of this report. A valuation of this nature involves consideration of various factors including those impacted by prevailing market trends in general and industry trends in particular. As such, valuation results are, to a significant extent, subject to continuance of current trends beyond the date of the report. Registered Valuer, however, has no obligation to update this report for events, trends or transactions relating to the company or the market/economy in general and occurring subsequent to the date of this report.
- iii. Registered Valuer provides no assurance that the issue of shares can be completed successfully at or close to our recommended valuation within a particular timeframe. Our valuation only aims to represent the likely price that is the minimum price for issue of shares.
- iv. Registered Valuer has relied upon the information furnished by the management of the company and other sources believed to be reliable and true.
- v. In the course of the valuation, Registered Valuer has been provided with both written and verbal information, including market, technical, financial and operating data. However, Registered Valuer has not carried out a due diligence or audit of the company for the purpose of this engagement, nor have independently investigated or otherwise verified the data provided.
- vi. Further, Registered Valuer have made various assumptions in relation to valuation of SRDL. Registered Valuer have made such assumptions, post discussions with management of the company.
- vii. It may be noted that valuation is a highly subjective exercise and may differ from valuer to valuer depending on the individual perception of the attendant circumstances. At best, it is an expression of opinion or a recommendation based on certain assumptions.



Restrictions on use of the report

This Valuation Report has been issued on the specific request of the management for the Value of the Company as at September 30th, 2019.

**Specific Purpose:**

Valuation analysis and its results are specific to the purpose of valuation as mentioned in the section “Purpose of Valuation”. It may not be relevant for any other purpose or entity. 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.

**Not an advice to buy or sell:**

The analysis in this report is based on the information provided by the management and such information as is obtained from market sources. However, our report is not advising anybody to take a buy or sell decision, for which specific opinion may be required from experts.

**No audit or certification:**

Our work does not constitute an audit or certification of the historical financial statements. I cannot and do not express an opinion on the accuracy of any financial information referred to in this report. I have relied on the assumptions made by the management of the company. These assumptions require exercise of judgement and are subject to uncertainties

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### Chapter 3: Information Sources

For the purpose of this report, the documents and/or information published or provided by management have been relied upon. Registered Valuer have fully relied on the information provided by the company and do not vouch for the accuracy of the information as is provided to us by the management of SRDL.

Registered Valuer has relied upon the following information sources:

- i. Background documents and information of the company;
- ii. Audited financial statements of the Company for the financial years 2016-17, 2017-18 and 2018-2019;
- iii. Independent Auditor's Limited Review Report on Unaudited Financial Results as on September 30th, 2019.
- iv. Unaudited Financial Statements for the period ended September 30, 2019.
- v. Memorandum & Articles of Association
- vi. Information available in public domain and databases such as Moneycontrol, Capitaline, National Stock Exchange, Bombay Stock Exchange, Value Research etc.;and
- vii. Registered Valuer has also relied upon written and verbal explanations and information given to us by the management of the company during the course of our exercise.

I have also considered/ obtained such other analysis, review, explanations and information considered reasonably necessary for our exercise, from the Client or other public available sources.

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## Chapter 4: Selection of Valuation Methodology

There is no single definition of the term 'Value' that is suitable for all purposes or at all times. The value of a particular asset may vary according to different valuation methodologies that are adopted to ascertain the value for a specific purpose. Valuation of securities is an inexact science. It may sometimes involve a set of judgments and assumptions that may be subject to certain uncertainties. In the section below, Registered Valuer have discussed some of the commonly used valuation methodologies. The valuation methodology to be adopted varies from case to case depending upon different factors affecting valuation. There are a number of methodologies to value companies / businesses using historical and forecast financials of the company.

A typical valuation analysis involves review and analysis of historical financials of the company and broad comparison of the company's forecast financial projections as regards all the significant macro and micro variables like economy and industry growth rate assumptions, inflation, interest and foreign exchange rates and tax rate forecasts. Company's profitability factors (industry competitive factors and company's operating strategies and its competitive position in the industry), economies of scale and optimal capital structure also affects the business valuation of the company.

However, the value is specific to the point in time and may change with the passage of time. In the present case, the objective of the valuation exercise is to value the shares of SRDL.

The valuation exercise is aimed at the assessment of the Fair Value of the company. I am required to arrive at the above valuations based on internationally accepted valuation practices.

As per **RICS appraisal Manual**, the Fair Value (FV) is defined as 'The price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.

**Ind AS (113) as well as IFRS 13** defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

### **Approach and Methodology**

Valuation is not an exact science and is dependent on various factors such as specific nature of business, economic life cycle in which the industry and company is operating, past financial performance of the business, future growth potential of the business, business model, management of the company, relevance of technology in the business model, liquidity of equity and much more. The results of the valuation exercise may vary significantly depending on the basis used, the specific circumstances and the judgement of the valuer. In respect of going concerns, certain valuation techniques have evolved over time and are commonly in vogue.

Various techniques may be used such as Net Asset Value Method, Price-Earnings Multiple Method, EV/EBITA Multiple Method, Discounted Cash Flow Method among others to value. The choice of valuation approach depends on the purpose of valuation and various other business specific and industry specific factors. In some cases, a single valuation technique will be appropriate, whereas in others multiple valuation techniques will be appropriate.

I have partially followed the operating guidelines for valuation of business issued by the Ministry of Finance, Department of Economic Affairs vide File No. S 11(21) CCI (11)/90, dated 13-7-1990. The valuation guidelines issued by the erstwhile CCI recommend 3 principle methodologies for valuation of companies, viz.:

The established methods of valuation and a brief description of each method is provided below .

### Method of Valuation

There are several commonly used and accepted methods for determining the value of business/shares of the company, which would be applied to the present case , to the extent relevant and applicable, such as:

- Value based on the Discounted cash flow (DCF) method.
- Value based on Market Price method.
- Net Asset value or Break up value based on the value of the assets and liabilities (NAV).

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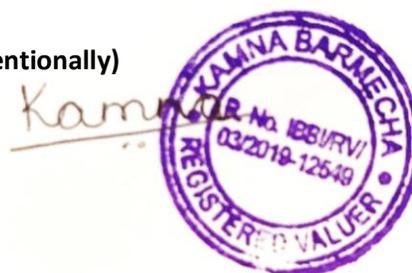
Income Approach - Discounted Free Cash Flow Method (DCF)

Under the DCF method, intrinsic value of an asset is equivalent to the present value of its expected future cash flows. Common equity can be valued directly by using Free Cash Flow to Equity ("FCFE") or indirectly by using a Free Cash Flow to Firm ("FCFF") model to estimate the value of the firm i.e. Enterprise Value and then subtracting the value of non stock capital (usually debt) from FCFF to arrive at an estimate of the value of equity. FCFF is the cash flow available to the company's suppliers of capital after all operating expenses (including taxes) have been paid and necessary investments in working capital (e.g. inventory) and fixed capital (e.g. equipment) have been made.

In the DCF approach to valuation, using FCFF method, the value of a business is determined based on future expected free cash flows discounted at a rate i.e. weighted average cost of capital ("WACC") that reflects the risk involved in the business and the cash flows. The value so determined represents the firm value or the enterprise value. Value obtained by using DCF method gives us the Enterprise Value. The same is adjusted for Non-operating assets, cash, debt and loans as on the valuation date in order to arrive at the equity valuation.

FY	2020 (6 Months)	2021	2022	2023	2024	Terminal
<b>PARTICULARS</b>						
Turnover	65,42,67,657.00	2,10,34,32,000.00	2,60,34,44,000.00	3,00,34,60,000.00	3,31,34,80,000.00	
PBT	1,80,52,375.62	6,30,22,616.46	8,36,07,403.48	10,12,12,939.48	13,02,82,773.57	
Less : Direct Taxes Paid	31,45,031.89	1,62,11,817.13	2,15,08,648.42	2,60,54,111.24	3,35,50,434.78	
<b>PAT</b>	<b>1,49,07,343.74</b>	<b>4,68,10,799.33</b>	<b>6,20,98,755.06</b>	<b>7,51,58,828.24</b>	<b>9,67,32,338.79</b>	
Add : Depreciation	1,70,811.06	2,71,383.54	2,29,096.52	2,53,060.52	2,60,226.43	
Less :Capital Expenditure	-	30,000.00	78,250.00	90,000.00	60,000.00	
Add : Interest (post Tax)	80,98,930.55	1,69,34,971.68	1,78,25,815.17	1,87,13,046.78	1,96,01,468.98	
Change in NWC	4,86,86,814.69	5,43,48,214.76	5,14,10,168.72	5,69,49,537.18	6,73,18,676.46	
<b>Free Cash Flows</b>	<b>-2,55,09,729.35</b>	<b>96,38,939.79</b>	<b>2,86,65,248.04</b>	<b>3,70,85,398.37</b>	<b>4,92,15,357.74</b>	<b>61,54,74,878.03</b>
Discounting Factor	0.94	0.83	0.74	0.65	0.58	0.58
<b>Present value of Cash flow</b>	<b>-2,40,12,823.11</b>	<b>80,39,728.44</b>	<b>2,11,85,687.29</b>	<b>2,42,86,478.28</b>	<b>2,85,58,604.54</b>	<b>35,71,46,721.10</b>
Cumulative present value of Cash Flows	41,52,04,396.54					
<b>Enterprise Value</b>	<b>41,52,04,396.54</b>					
Add: Cash, Cash Equivalents and Investments as on 30.09.2019	16,98,48,635.00					
Less: Debt as on 30.09.2019	25,43,08,672.00					
<b>Equity Value</b>	<b>33,07,44,359.54</b>					
No. of Shares	59,97,850.00					
Value Per Share	55.14					

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Market Approach -Comparable Company Multiples Method (CCM)**Market Price Method**

In the instant case as per the trade data obtained from BSE for the period 30th January 2019 to 29th January 2020 (Relevant Date- 30th January 2020), there has been trading of 102000 shares amounting to INR 4279800/- which is less than 10%. In view of same as per Regulation 165 of SEBI ICDR Regulations 2018, the shares of the Company are infrequently traded. For calculation of market value, we have considered the period 1st October 2018 to 30th September 2019 since, NAV and Income Approach Method is calculated as on that date. The computation is shown below:

Date	No. of Shares	Total Turnover
24-Sep-19	3000	126000
23-Sep-19	3000	125550
19-Aug-19	3000	127050
22-Jul-19	3000	127200
24-Jun-19	3000	127200
04-Jun-19	3000	145950
03-Jun-19	3000	127350
13-May-19	3000	127800
08-May-19	3000	127200
03-Apr-19	3000	127050
18-Mar-19	3000	127500
14-Mar-19	15000	650250
13-Mar-19	6000	230550
08-Mar-19	3000	96150
27-Feb-19	18000	683700
22-Feb-19	6000	260850
18-Feb-19	3000	130500
04-Feb-19	3000	135000
30-Jan-19	3000	126150
28-Jan-19	3000	129150
17-Jan-19	3000	138000
15-Jan-19	3000	135150
14-Jan-19	6000	273300
11-Jan-19	9000	414150
09-Jan-19	6000	303000
07-Jan-19	3000	152700
01-Jan-19	6000	301200
31-Dec-18	3000	151050
28-Dec-18	27000	1343250
27-Dec-18	6000	285150
26-Dec-18	141000	6640950
24-Dec-18	330000	15333600
	<b>636000</b>	<b>29329650</b>
<b>Total Turnover at BSE during 01-10-2018 to 30-09-2019 (A)</b>		2,93,29,650
<b>No. of shares traded during 01-10-2018 to 30-09-2019 (B)</b>		6,36,000
<b>Weighted Average Price (A/B)</b>		<b>46.12</b>



Asset Approach - Net Asset Value Method (NAV)

The Net Asset Value method attempts to measure the value of the net assets of the company against each share. It is computed by taking the net value of the company's assets, subtracting from them the amount of liabilities and preferred shareholders claims, and dividing the remainder amongst the number of equity shares. For an investment company valuation, NAV valuation, based on the asset backing is generally given more importance. Net Asset Value Method is also considered appropriate, where the future cash flows / commercial operations of the valued company cannot be reasonably ascertained or the company is recently incorporated.

The calculation is shown below:

Calculation of Net Asset Value		
Balance Sheet as on 30th September'2019		
Particulars	INR	INR
Share Capital	5,99,78,500.00	
Add : Reserve & Surplus	22,99,63,240.00	
Add: Increase in value of Land	18,77,700.00	
Add: Increase in value of Building	5,19,878.00	
<b>NET ASSET VALUE</b>		<b>29,23,39,318.00</b>
No. of Equity Shares (Face Value@10)		59,97,850
<b>Value Per Share (Rs.) Approx</b>		<b>48.74</b>

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## Chapter 5: Valuation

These valuation conclusions must be read along with accompanying assumptions, caveats, limits and disclaimers mentioned elsewhere in this report.

As per our assessment, the Fair Value of the company as per three approaches is as follows:

Value per share as per Market Value Method	INR 46.12
Value per share as per Net Asset Value Method	INR 48.74
Value per share as per Income Approach Method	INR 55.14

Calculation of Fair Value			
Valuation Method	Value (In INR)	Weights	Value x Weight
Market Value	46.12	1	46.12
Net Asset Value Method	48.74	1	48.74
Income Approach Method- DCF	55.14	1	55.14
		3	150.00
Weighted Average Price			50.00
<b>Fair Value</b>			<b>50.00</b>

The fair value of the equity share of a company is determined on the basis of the average of the values determined by the Market Price method, NAV method and Income Approach method. I have arrived at the Fair Value of the shares.

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### Conclusion - Fair value of SRDL

In the ultimate analysis, valuation will have to be tempered by the exercise of judicious discretion and judgment taking into account all the relevant factors. There will always be several factors, e.g. quality 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. This concept is also recognized in judicial decisions. For example, Viscount Simon said 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, so forth. 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."*

Based on the above workings, the calculation of the fair value of the share of Shankar Lal Rampal Dye-Chem Limited is as under:

**In accordance with regulation 164 of the SEBI ICDR Regulations 2018, the shares of the company are not frequently traded. Accordingly, I have calculated the price per share in accordance with Regulation 165 that deals with infrequently traded shares. Accordingly, pursuant to Regulation 165, for the purpose of preferential allotment of shares of Face value Rs.10/- each, I have used Weighted Average Method and the Fair Value of the Equity shares comes to Rs 50.00/- per equity share only.**

The values so arrived at are subject to the matters enumerated in 'Disclaimer statement', 'Scope of Work & Limitation' and information provided to us and should be viewed in the light thereof.

**Registered Valuer: Kamna Barmecha**  
**IBBI Registration No.: IBBI/RV/03/2019/12549**



Date: January 30th, 2020

Place: Indore