Valuation Report for Determination of

Fair Value of Convertible Warrants of

ASTAL LABORATORIES LIMITED

Neha Bhandari

Registered Valuer –Securities or Financial Assets

IBBI Reg. No.: IBBI/RV/16/2021/14449

To
Board of Directors, **06 July 2024**
Astal Laboratories Limited
'Plaza Kalpana', Ground Floor,
24/147, Birhana Road, Kanpur,
Uttar Pradesh-208001, India

Subject: Report on opinion on Fair Value of Convertible Warrants of "Astal Laboratories Limited " as per SEBI (ICDR) Regulations

Dear Sir/ Madam,

We refer to the engagement letter dated **26 June 2024** and the discussions undertaken with the Management of Astal Laboratories Limited (hereinafter referred to as 'Astal' or 'the Company') wherein the Management of Astal has requested Neha Bhandari, IBBI Registered Valuer– Securities or Financial Assets (referred to as 'RV') to determine fair value of **Convertible Warrants** of Astal as on **31 March 2024** (" Valuation Date").

The Management has informed that the Company is considering to issue Convertible warrants on a preferential basis to certain shareholders/investors. As the Company is listed on BSE Limited, it need to comply with Regulation 164 and 166A of SEBI (ICDR) Regulations. Therefore, the Company is required to obtain the valuation report from independent Registered Valuer for determining the issue price.

Based on our valuation analysis of Convertible Warrants of Astal Laboratories Limited , I hereby certify that the fair value of Convertible Warrants as on 31 March 2024 is **INR 40/-.** The value determined herein should be considered as the floor price/minimum price to allot shares on a preferential basis to investors.

This report sets out our scope of work, background, sources of information, procedures performed by us, key value considerations and our opinion on the fair value of the equity shares. I have summarized the valuation analysis of the company as on the valuation date together with the description of the purpose, methodologies used and limitations on our scope of work in accordance with the Valuation Standard issued by the Institute of Chartered Accountants of India and Internationally Accepted Valuation principles.

Our analysis and report are in conformity with the "ICAI Valuation Standards" (IVS) issued by the Institute of Chartered Accountants of India. In addition to the general standards/ guidelines of the IVS, our report specifically complies with ICAI Valuation Standards.

Because of the limited purpose of this report, the financial information presented in this report may be incomplete and contain departures from generally accepted accounting principles. We have not audited, reviewed, or compiled the financial information provided by the management and express no assurance on it. Had we audited or reviewed the financial information, matters may have come to our attention that could have resulted in our use of the amounts that differ from those provided. Accordingly, we take no responsibility for the underlying data presented in this report.

This document is provided on the basis that it is kept CONFIDENTIAL and its circulation and use are RESTRICTED. It should not be copied or sent to any other person without the express permission of our office.

I am pleased to present here with our report on the same. We are thankful to the Management of the company for their kind co-operation extended during the course of this assignment.

Yours Sincerely,

Neha Bhandari

IBBI/RV/16/2021/14449 NEHA BHANDARI Registered Valuer

Neha Bhandari
Registered Valuer- SFA
IBBI Reg. No.: **IBBI/RV/16/2021/14449**
UDIN: 24407560BKBLBI1029
Date: 06 July 2024

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Executive Summary:

Valuation Date	31 March 2024
Date of Report	06 July 2024
Purpose of Valuation	Regulatory purpose
Base of Valuation	Fair Value
Premise of Valuation	Going Concern
Variation from Standard Assumptions	None
Special Assumptions	None
Capacity & Status of Valuer	Independent-Neha Bhandari (RV-S&FA) IBBI Registration No. : IBBI/RV/16/2021/14449
Independence	The total fees, including the fee for this assignment earned from the instructing party are less than 10% of our total annual revenues.

Fair Value :

Based on our study and analytical review procedures subject to the limitations expressed within this report, in our opinion the fair value of the Convertible Warrants of Astal as on valuation date is **INR 40**/- per warrant of face value of **INR 10**/- each.

The above executive summary is to be read in conjunction with the valuation report to which it forms part of and is subject to the assumptions, caveats and bases of valuation stated herein and should not be read in isolation.

Introduction of the Company

Astal Laboratories Limited (formerly known as Macro International Limited) was incorporated on 03 August 1993 as a public limited company. It is a listed public company and having its registered office at 'Plaza Kalpana', Ground Floor, 24/147, Birhana Road, Kanpur, Uttar Pradesh-208001, India. It is listed on the BSE Main Board Platform and is registered at Registrar of Companies, Kanpur. The Corporate Identification Number (CIN) of the Company L74120UP1993PLC015605 and its registration no. is 015605.

Existing Capital Structure

The authorized equity share capital of the company is INR 20,00,00,000 divided into 2,00,00,000 Equity Shares having face value of INR 10 each. Astal fully paid-up equity share capital as on March 31, 2024 is INR 9,83,00,700 divided into 98,30,070 equity shares of INR 10 each.

Ownership Structure

The ownership structure of Astal as at the report date holding more than 5% shares in the company is set out below:

Sr. No.	Category	% of Shares held
1	Aceso Research Labs LLP	19.93%
	Total	**100**

Management Structure

The Board of Directors of Astal as at the report date is set out below:

S no	Name of Director	Designation	DIN/PAN	Begin Date
1	Birendrakumar Sahoo	Additional Director	06737993	24/05/2024
2	Sudheer Karna Kankanala	Whole-time director	07591466	08/09/2022
3	Ravikanti Shailaja	Director	07629653	08/09/2022
4	Hemachakrapani Bangaraiahgari	Director	09718099	08/09/2022
5	Radhakishore Pandrangi	Director	06664969	18/08/2023
6	Maggidi Venkatesh	Director	09414495	10/06/2023

Purpose of Valuation Exercise

Scope of Work

Based on discussion with the management, we understand that the Company wants to issue Convertible Warrants to the existing/proposed investors. In this context, the management requires our assistance in determining the fair value of equity of the company. As requested by the management, we have undertaken the value analysis of the Convertible Warrants of the Company on an 'as is where is', going concern basis, as at **31 March 2024 ('Valuation Date')** under Companies Act 2013 and in accordance with **Regulations 164 and/or 166A (as applicable) of the SEBI (Issue of Capital & Disclosure Requirements) Regulations, 2018 ("ICDR").**

Compliance with Valuation Standards and Valuation Basis

- Our analysis and report are in conformity with the "ICAI Valuation Standards" (IVS) issued by the Institute of Chartered Accountants of India. In addition to the general standards/ guidelines of the IVS, our report specifically complies with ICAI Valuation Standard 102 - Valuation Bases (IVS 102), ICAI Valuation Standard 103 – Valuation Approaches and Methods (IVS 103), ICAI Valuation Standard 201 - Scope of Work, Analyses and Evaluation (IVS 201), ICAI Valuation Standard 202 - Reporting and Documentation (IVS 202) and ICAI Valuation Standard 301 - Business Valuation (IVS 301).

- The valuation basis used in arriving at valuation conclusion is 'Fair Value'. *'Fair value' is defined by IVS102 as "the price that would be received to sell an asset or paid to transfer liability in an orderly transaction between market participants at the valuation date."*

- IVS 102 defines 'orderly transaction' as " *a transaction that assumes exposure to the market for a period before the valuation date to allow for marketing activities that are usual and customary for transactions involving such assets or liabilities and it is not forced transaction. The length of exposure time will vary according to the type of asset and market conditions*.

- IVS 102 further defines ‘Market participants’ as “willing buyers and willing sellers in the principal (or most advantageous) market for the asset or liability that have all of the following characteristics:
- ❖ they are independent of each other, that is, they are not related parties as defined under applicable accounting framework and set of reporting/ accounting standards therein, although the price in a related party transaction may be used as an input to a fair value measurement if the entity has evidence that the transaction was entered into at market term
- ❖ they are knowledgeable, having a reasonable understanding about the asset or liability and the transaction using all available information, including information that might be obtained through due care that is usual and customary
- ❖ they are able to enter into a transaction for the asset or liability; and
- ❖ they are willing to enter into a transaction for the asset or liability, i.e., they are motivated but not forced or otherwise compelled to do so.”

Base & Premise for Valuation

- As per ICAI Valuation Standards 102, Valuation base means the indication of the type of value being used in an engagement. Different valuation bases may lead to different conclusions of value. Therefore, it is important for the valuer to identify the bases of value pertinent to the engagement. This Standard defines the following valuation bases: Fair value, Participant specific value and Liquidation value.

- As the Company is on going concern basis, RV has decided to choose Fair Value as base of valuation. Fair value is 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 valuation date.

- Premise of Value refers to the conditions and circumstances how an asset is deployed. This valuation is performed on the premise that the Company will continue to operate as a going concern. IVS 102 defines ‘going concern value’ as *“the value of a business enterprise that is expected to continue to operate in the future.”*

The relevant extract of Proposed terms of issue of convertible warrants is as under:

The Company is considering to issue 57,19,930 Convertible Warrants of Face Value of Rs. 10/- per share on preferential allotment basis for cash consideration as per value determined by independent valuer.
b. The Warrant holders shall, subject to the SEBI (ICDR) Regulations and other applicable rules, regulations and laws, be entitled to apply for and be allotted one equity share against each Warrant, in one or more tranches within a period of 18 (Eighteen) months from the date of allotment of the Warrants, by issuing a written notice to the Company specifying the number of Warrants proposed to be so converted. Upon exercise of the option by the allottees to convert the warrants within 18 months from the date of allotment of warrants, the Company will allot Equity Shares pursuant to exercise of the warrants within 15 days from the date of such exercise by the allottees. The Company shall accordingly issue and allot the corresponding number of Equity Share(s) of face value of Rs. 10/- each to the Warrant holders.

As the terms of conversion is fixed, therefore t arrive at the value of Convertible Warrants we need to determine fair value of equity shares.

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 Astal that will be allotted to the investors of convertible warrants 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.

<u>SEBI (Issue of Capital & Disclosure Requirements) Regulations, 2018</u>

Extract of the Regulation 164 and 166A are as under:

<u>Regulation 164 : Pricing of Frequently traded shares</u>

1. If the equity shares of the issuer have been listed on a recognized stock exchange for a period of 90 trading days 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 90 trading days volume weighted average price of the related equity shares quoted on the recognized stock exchange preceding the relevant date; or
- the 10 trading days volume weighted average prices of the related equity shares quoted on a recognized stock exchange preceding the relevant date.

Provided that if the Articles of Association of the issuer provide for a method of determination which results in a floor price higher than that determined under these regulations, then the same shall be considered as the floor price for equity shares to be allotted pursuant to the preferential issue.

For the purpose of this Chapter, “frequently traded shares” means the shares of the issuer, in which the traded turnover on any recognized stock exchange during the 240 trading days 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.

<u>Regulation 166A : Other conditions for Pricing</u>

166A. (1) Any preferential issue, which may result in a change in control or allotment of more than five percent of the post issue fully diluted share capital of the issuer, to an allottee or to allottees acting in concert, shall require a valuation report from an independent registered valuer and consider the same for determining the price.

Appointment & Identity of Valuer

Appointing Authority, Appointment date, Valuation date and Report date:

As per Section 247 of The Companies Act, 2013, Board of Directors of Astal appointed Neha Bhandari (Registered Valuer) on 26 June 2024 for valuation of equity shares as on valuation date 31 March 2024 . The valuation report is issued on 06 July 2024.

Identity of the Valuer:

Neha Bhandari is a Registered Valuer (Securities or Financial Asset class) as required under The Companies (Registered Valuers & Valuation) Rules, 2017. Neha Bhandari is registered with Insolvency & Bankruptcy Board of India vide registration number IBBI/RV/16/2021/14449. Neha’s primary membership is registered with AARVF Registered Valuers Organization vide registration no. AaRVF/M/SorFA/188.

Disclosure of Valuer Interest:

I have no present or prospective contemplated financial interest in Astal nor any personal interest with respect to the Promoters & Board of Directors of Astal. 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.

Intended Users of The Report:

This Valuation Report is confidential and has been prepared exclusively for Board of Directors of Astal. It should not be circulated or reproduced to any other person for any purpose other than as mentioned above, without the prior consent of the valuer. This 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.

Sources of Information

Our expression of the opinion on the fair value of the Company is supported by all procedures that we deem to be relevant. We have obtained sufficient information in accordance with IVS 201- ‘Scope of Work, Analyses and Evaluation’, and relied on the data, facts, information, documents, and explanations as authenticated, and provided to us by the Management. The scope of this valuation included a review of the Company’s historical financial statements, other financial and non-financial data.
We 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 Astal. Our opinion was based on the information listed below:

- Incorporation documents and information of the company;
- Equity share trading details from Bombay Stock Exchange;
- Audited financial statements of the Company for the financial years 2022-2023 and 2023-2024;
- Financial projections of the company for 4 years from 01 April 2024 to 31 March 2028
- Memorandum & Articles of Association
- Discussions and correspondence with the Management in connection with business operations, past industry and company trends, proposed future business plans and prospects both for company & industry, realizability of assets, business drivers & risks etc.
- Information available in public domain and databases such as MCA, Capitaline, National Stock Exchange, Valutico ,Bombay Stock Exchange etc.

We 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. Supporting data, copies of source documents and other pertinent information supporting our opinion of value are maintained in our files.

Procedures adopted in carrying out the Valuation

Process Flow : Receipt of proposal for valuation includes

- Discussion with the management and acceptance of the proposal
- Receipt of intimation about appointment and acceptance of proposal
- Execution of valuation engagement letter and providing the checklist for required information, documents, and records
- Receipt of information, documents as per the checklist
- Cross verification of data with concerned officials of the company for clarifications/explanations.
- Determining valuations approach, techniques, and methods in compliance with applicable standards
- Valuation synthesis & revisiting the assumptions and decision made
- Report preparation and its validation.

Limitation of Verification

Our valuation report and analysis are subject to the assumptions and limiting conditions as mentioned in **Annexure A** of the report.

- The relevant information for the purpose of this valuation has been provided by the Management. We do not make any representations or warranty, express or implied, regarding the achievability/accuracy of the forecasts and accuracy/completeness of such other information as provided by the Management.

- The relevant information & support documents provided by the Management have not been independently verified by us with any third party or any other sources and are believed to be true and reliable. The information contained herein is based on the analysis of information known or knowable as of the valuation date.

- Unless stated otherwise, industry and market data used in this report have been obtained from market research, publicly available information & industry publications.

- In no event shall we be liable for any loss, damage, cost or expense arising in any way from fraudulent acts, misrepresentations or willful default on the part of the Company, their management, employees or agents. In no circumstances shall the liability of registered valuer relating to services provide in connection with the engagement set out in this report exceed the amount paid to us in respect of the fees charged for those services.

Valuation Approaches & Methodologies

Valuation Approaches

In order to value the Company, we considered three approaches to valuation, as provided under the *'IVS 103 – Valuation Approaches and Methods'*: the market approach, the income approach and the asset approach. We have reviewed and analyzed several methods and their results to determine which methods would generate the most reasonable opinion of value of the Company's operations as on the Valuation Date. After careful consideration of each method's underlying assumptions and variables that were utilized, we have considered all the three approaches i.e. market approach, income approach and assets approach to ascertain fair value which would provide the most appropriate indication of the fair value of the Company due to being listed on the stock exchange.

A description of these methods and the methods considered but not used are included within this report. Both internal and external factors, which influence the value of the Company have been reviewed, analyzed, and interpreted. Internal factors included financial position and results of operations of the Company. External factors included, among other things, the status of the economy and the position of the Company relative to the industry.
A brief explanation of each valuation approach is provided below:

Income Approach

The income approach provides an estimate of the present value of the monetary benefits expected to flow to the owners of the business. It requires the projection of the cash flows that the business is expected to generate. These cash flows are then converted to their present value by means of discounting, using a rate of return that accounts for the time value of money and the appropriate degree of risk in the investment. The value of the business is the sum of the discounted cash flows.

Market Approach

Market approach provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available. It considers actual arm's-length transactions for which the market value of investments alternative to the subject company can be observed. The value of a company or an ownership interest in the company can be estimated by developing relevant multiples for the comparative companies that relate value to underlying revenue, earnings, or cash flow variable, and then applying these multiples to the comparable underlying revenue, earnings, or cash flow variable for the subject company. The value multiples can be derived from guideline public company and guideline transactions of the publicly traded company or private companies.

Cost (Asset-Based) Approach

The asset-based (net underlying assets) approach is a form of the cost approach. The values of the individual assets (i.e., current, fixed, and intangible) of the business are estimated. The sum of the individual asset values represents the total asset value of the enterprise. The enterprise's liabilities related to working capital are deducted to arrive at an indication of value for the invested capital of the business. Since the cost approach does not always reflect the full value of intangible assets, it is often inappropriate to value an operating business completely on the basis of this approach without giving weights to other valuation methods. Cost approach may be relevant to the value of an operating business that is not sufficiently profitable and whose "breakup" values may be greater than its going concern value.

Valuation Methodologies

The valuation methodology to be adopted varies from case to case depending upon different factors affecting valuation. Different methodologies are adopted for the valuation of manufacturing, investment, consultancy and trading companies. Though there are no thumb rules for valuation, the method to be adopted has to be appropriate to the particular purpose for which valuation is being done as well as the attendant circumstances of each case. For example, a manufacturing company is generally valued on the combination of asset value and the earning potential of the business. An investment company is valued based on the fair market value of underlying assets.

However, the value is specific to the point in time and may change with the passage of time. The value is derived in the context of an existing environment that includes economic conditions, state of industry/market and state of business activities of companies being valued etc. as on the appointed date of valuation. The basis of valuation would depend upon the purpose of valuation, the type of business, the prospects and other attendant circumstances.

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:

Income Approach - Discounted Free Cash Flow Method (DCF)

The DCF method values the asset by discounting the cash flows expected to be generated by the asset for the explicit forecast period and also the perpetuity value (or terminal value) in case of assets with an indefinite life. The DCF method is one of the most common methods for valuing various assets such as shares, businesses, real estate projects, debt instruments, etc. This method involves discounting of future cash flows expected to be generated by an asset over its life using an appropriate discount rate to arrive at the present value. The important inputs for the DCF method are (1) Cash flows; (2) Discount rate; and (3) Terminal value.

Market Approach -Comparable Company Multiples Method (CCM)

Under the CCM Method, the value of shares/ business of a company is determined based on market multiples of publicly traded comparable companies, that is, valuation based on multiples benchmark to the multiples of similar assets in the industry. This valuation is based on the principle that market valuations, taking place between informed buyers and informed sellers, incorporate all factors relevant to valuation.

This method involves reviewing valuation multiples for companies that are in the same or similar line of business as the company being valued and then applying the relevant valuation multiples to the subject company to determine its value. The theory behind this approach is that valuation measures of similar companies, as manifested through stock market valuations of listed comparable companies, should represent a good proxy for the specific company being valued. Depending on the source of data available and the underlying company being valued, a variety of valuation measures might be used including Enterprise Value (EV) to Sales, EV to EBITDA, Price to Earnings, etc.

Asset Approach - Net Asset Value Method (NAV)

The net asset value method is an asset-based approach to valuation where the value of the business is based on the difference between the fair market value of the assets and liabilities of the business. This method is a sound method for estimating the value of a non-operating business, such as real estate holding company, or a business that is continuing to generate losses, or which is expected to be liquidated. Net Asset Value Method is also considered appropriate, where the future cash flows / commercial operations of the valued company cannot be reasonably ascertained.

Valuation Exercise & Working

Valuation of the Company via Market Approach

The three approaches discussed in previous section of the report are internationally accepted valuation approaches and used globally for valuations. After considering all the approaches, I have considered all the three approaches i.e. market approach, income approach and assets approach to ascertain fair value of equity shares of Astal.

As Astal is listed company and need to comply with SEBI ICDR Regulations 2018, I have considered the Regulation 164 of valuing frequently traded shares. As per Regulation 164 "frequently traded shares" means the shares of the issuer, in which the traded turnover on any recognized stock exchange during the 240 trading days preceding the relevant date, is at least ten per cent of the total number of shares of such class of shares of the issuer.

In the present case, the relevant date is 5th July, 2024 (6th July, 2024 Saturday being the date 30 days prior to 5th August 2024 (i.e., date of AGM) falls on a weekend and accordingly, the day preceding the weekend i.e., 5th July 2024 (Friday) is being fixed as the relevant date), therefore I have obtained the trade data from BSE for the 240 trading days to determine if the shares are frequently traded or not. During the said period the traded turnover on BSE SME Platform i.e. on recognized stock exchange is less than ten per cent of the total number of issued shares. Therefore, we conclude that the shares are not frequently traded and therefore fair value will be now be determined as per Regulation 165 of SEBI ICDR Regulations 2018.

As per regulation no. 165 of SEBI ICDR Regulations 2018, the infrequently traded shares are issued based on independent valuer report.

Pricing of infrequently traded shares

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.

Valuation of the Company via Market Approach

We have considered EV/Sales multiple of companies involved in the similar comparable business/transaction to arrive at the Fair Equity Value of Astal as at the Valuation Date. EV/ Sales multiple has been considered from the paid subscription database of Valutico which provides information of deals in similar companies/industry. Out of various companies, we aimed to pick those companies whose business model resembles closely with Astal and can be considered comparable for arriving at fair equity value.

Based on the revenue multiples of similar companies, we have considered the revenue for year ending 2024 basis to arrive at Fair Equity Value of Astal. We have considered 30% discount as company specific adjustment on the comparable data of various companies used in arriving at fair value of Astal as it is listed on SME platform.

Calculation of Mean of EV/Sales of comparable companies

Company Name	EV / Sales (Multiple)
Granules India Limited	2.47
Laurus Labs Limited	4.62
Mean EV/Sales	**3.55**
Less: Company specific discount (30%)	1.06
Adjusted EV/Sales	**2.48**

Fair value of equity share as on the valuation date

Particulars	Amount In INR
Sales (2024)	236,477,367.00
Enterprise Value (Adjusted EV/Sales*Sales)	**586,818,586.21**
Less Debt	3,121,397.05
Total value for Equity Shareholders	**583,697,189.16**
No of shares	9,830,070.00
Price per Share	**59.38**
Price per Share rounded off to INR	**59.00**

I have reviewed the comparable company multiples as on 31 March 2024 and based on that, the fair value of equity share is ascertained as INR 59 per share.

Valuation of the Company – Asset Approach via Net Assets Method

The net asset value method is an asset-based approach whereby the value of the business is based on the difference between the fair market value of the assets and liabilities of the business. The Company is a going concern; therefore, the value could not be less than the fair market value of the Company's net asset value prior to any discounts. 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.

Fair Value of Astal Equity Shares as at 31 March 2024

PARTICULARS	AMOUNT (IN INR)
Assets	
Property, Plant and Equipment	6,899,865
Loans	39,925,456
Other non-current assets	52,026,367
Inventories	10,576,178
Trade receivables	158,150,044
Cash and cash equivalents	60,764,646
Other Current Assets	37,791,264
Total Assets (A)	**366,133,820**
Liabilities	
Long Term Borrowings	2,573,870
Deferred Tax Liabilty (net)	71,969
Short Term Borrowings	547,527
Trade Payables	115,151,390
Other Financial Liabilities	10,000,000
Other current liabilities	4,393,834
Total liabilities (B)	**132,738,589**
NET ASSET AVAILABLE TO SHAREHOLDERS (A-B)	**233,395,231**
No. Of Equity Shares	9,830,070
FAIR VALUE PER EQUITY SHARE	**23.74**
FAIR VALUE PER EQUITY SHARE ROUNDED OFF TO	**24.00**

I have reviewed the audited financials as on 31 March 2024 and based on the adjusted net assets method, the fair value of equity share is ascertained as INR 24 per share.

Valuation of the Company – Income Approach via the Discounted Cash Flow Method ('DCF')

The Discounted Cash Flow method is an income-based approach that is based on the concept that the estimated value of a business is the present value of its discretely projected future cash flows, plus the present value of the company's terminal value. This method is suitable in situations where future cash flows are expected to change from year-to-year, and where such year-to-year changes are reasonably predictable. Accordingly, the projected free cash flows to Equity (''FCFE") based on these financial statements is as set out below:

PARTICULARS	2024-25	2025-26	2026-27	2027-28	TERMINAL VALUE
Profit after Tax	**32,160,422**	**52,504,980**	**77,826,323**	**96,960,370**	**100,925,972**
Depreciation	689,987	620,988	558,889	503,000	452,700
Working Capital	(14,477,886)	(38,544,867)	(48,636,588)	(44,275,159)	(22,137,580)
Net Debt funding	(514,774)	(514,774)	(514,774)	(482,021)	-
Capex	-	-	-	-	(452,700)
Free Cash flow to Equity (FCFE)	**17,857,748**	**14,066,326**	**29,233,850**	**52,706,190**	**78,788,393**
Period for discounting (Years)	1.00	1.00	1.00	1.00	1.00
Mid year discounting	0.50	1.50	2.50	3.50	
Discounting factor	0.92	0.78	0.65	0.55	0.55
Cost of capital	18.46%	18.46%	18.46%	18.46%	18.46%
Net Present value	**16,407,516**	**10,910,111**	**19,141,096**	**29,132,296**	
Terminal Growth rate	4%				
Cost of capital for terminal period	18.46%				
Terminal Value					**544,912,851**
Present value of explict period					**75,591,019**
Present value of terminal value					**301,189,719**
NET PRESENT VALUE AS PER DCF					**376,780,738**

As on 31/03/2024

PARTICULARS	AMOUNT
NPV of Discounted Free Cash Flows	376,780,738
Less: Illquidity Discount - 20%	75,356,148
Present value of cash flows	**301,424,590**
Add: Cash and bank balance	60,764,646
Total value for Equity Shareholders	**362,189,236**
Number of Shares	9,830,070
Price per Share (in INR.)	**36.85**
Price per Share rounded off to INR	**37**

We have been provided with the projected financial statement of the company for 4 years 01 April 2024 to 31 March 2028 by the management, which we have considered for our analysis. Based on the DCF method, the fair value of equity share is ascertained as INR 37 per share.

Valuation of the Company – Income Approach via the Discounted Cash Flow Method (‘DCF’)

Determination of Discounting Factor

An important element of valuation using DCF is the selection of discount rate that reflects the expected rate of return (adjusted for risks associated with the investment) to prospective investors in similar investment opportunities. The Cost of Equity which reflects the opportunity cost to providers of capital, is used as the best indicator of the relevant discount rate.

Determination of Cost of Equity

For the estimation of the cost of equity, the Capital Asset Pricing Model (“CAPM”) is applied. According to the CAPM, cost of equity consists of a risk-free interest rate and risk premium. The risk premium is calculated by multiplying the market risk premium by the beta-factor, an entity specific measure of the systematic risk of an equity investment in an entity.

Cost of Equity = Rf + (Rm – Rf)*ß + SCRP

Rf : Risk free rate of return
Rm : Return on diversified market portfolio
Rm - Rf : Market risk premium
ß : Systematic risk factor associated with the industry i.e., Beta.
CSRP : Company Specific Risk Premium

Accordingly, Cost of Equity has been computed as follows

PARTICULARS	ABBREVIATION	DATA	SOURCES/REMARKS
Sensex Return	RM	13.71%	Based on Sensex History
Riskfree Rate	RF	7.07%	Based on Government bonds
Risk Premium	RM-RF	6.64%	Sensex return minus risk free rate
Beta	ß	0.96	Based on comparable company data as per Prof Ashwath Damodaran
Cost of equity	Ke	13.46%	Risk free rate + (beta * (market return - risk free rate))
Company Specific Risk Premium	CSRP	5.00%	Depends on judgment
ADJUSTED COST OF EQUITY	**KE**	**18.46%**	

Based on the above parameters, the cost of equity has been calculated at 18.46%. Ke as determined above is taken into account to determine the free cash flows arising to the company from the explicit forecast period.

Valuation summary & analysis

After reviewing all the three approaches, the fair value of Astal equity shares as per each approach is mentioned below:

Particulars	Price Per Share	Weight	Weighted Average Price
Net Asset Value (Cost Approach)	24.00	30%	7.20
Discounted Cash Flow (Income Approach)	37.00	40%	14.80
Comparable Companies Multiple (Market Approach)	59.00	30%	17.70
Price Per Share (In INR)			39.70
Price Per Share Rounded Off to INR			**40.00**

Based on the above workings, the calculation of the fair value of the equity share of ASTAL LABORATORIES LIMITED is as under:
In accordance with SEBI ICDR Regulations 2018, the shares of the company are not frequently traded. Therefore, I have determined the price per share in accordance with Regulation 165 that deals with valuation of infrequently traded shares. Accordingly, pursuant to Regulation 165, for the purpose of preferential allotment of shares of Face value of INR 10/-, I have determined the fair value of the Equity share to be **INR 40/-** as on valuation date i.e. 31 March 2024. The determined price is to be considered as floor price and preferential allotment can be made at any price but not less **INR 40/-**.

Conclusion

In the ultimate analysis, valuation 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 sheet 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 analysis, the fair value of the convertible warrants of ASTAL LABORATORIES LIMITED is determined as under:

As per the terms of conversion, each warrant is going to be converted in one equity share, therefore the fair value of equity share i.e. INR 40/- is considered as fair value of convertible warrants. Accordingly, the Company may consider issuing convertible warrant of face value INR 10/- at a premium of INR 30/- per warrant. The determined price is to be considered as floor price and preferential allotment can be made at any price but not less **INR 40/-**.The values so arrived at are subject to the matters enumerated in ‘Scope of Work, ‘Caveat, Limitation & Disclaimer statement’ and information provided to us and should be viewed in the light thereof.

Neha Bhandari

IBBI/RV/16/2021/14449 NEHA BHANDARI Registered Valuer

Neha Bhandari
Registered Valuer- SFA
IBBI Reg. No.: **IBBI/RV/16/2021/14449**
UDIN: 24407560BKBLBI1029
Date: 06 July 2024

Annexure A-CAVEATS, LIMITIATIONS & DISCLAIMERS

This report is subject to the following assumptions and limiting conditions:

❖ **Restrictions on use of Valuation Report**

a) This document has been prepared for the purposes stated herein and should not be relied upon for any other purpose.
b) Our client is the only authorized user of this report and is restricted for the purpose indicated in the engagement letter.
c) This restriction does not preclude the client from providing a copy of the report to third party advisors whose review would be consistent with the intended use.
d) I do not take any responsibility for the unauthorized use of this report.

❖ **Responsibility of RV**

a) I owe responsibility only to the authority that has appointed me under the terms of the engagement letter.
b) I will not be liable for any losses, claims, damages, or liabilities arising out of the actions taken, omissions or advice given by any other person.
c) In no event I shall be liable for any loss, damage, cost, or expenses arising in any way from fraudulent acts, misrepresentations, or willful default on part of the client or companies , their directors, employees or agents.

❖ **Accuracy of Information**

a) While our work has involved an analysis of financial information and accounting records , our engagement does not include an audit in accordance with generally accepted auditing standards of the clients existing business records.
b) Accordingly, I express no audit opinion or any other form of assurance on this information.

❖ **Achievability of the forecast results**

a) I do not provide assurance on the achievability of the results forecast by the management / owners as events and circumstances don’t occur as expected, difference between actual and expected results may be material.
b) I express no opinion as to how closely the actual results will correspond to those projected / forecast as the achievement of the forecast results is dependent on actions, plans and assumptions of management.

❖ **Post Valuation Date Events**

a) The user to which this valuation is addressed should read the basis upon which the valuation has been done and be aware of the potential for later variations in value due to factors that are unforeseen at the valuation date.

b) Due to possible changes in market forces and circumstances, this valuation report can only be regarded as relevant as at the valuation date.

❖ **Range of Value Estimate**

a) The valuation of companies and assets is made based on the available facts and circumstances and the conclusions arrived at in many cases will be subjective and dependent on the exercise of individual judgement .

b) Although every scientific method has been employed in systematically arriving at the value , there is no indisputable single value and the estimate of the value is normally expressed as falling within a likely range.

❖ **No Responsibility to the Actual Price of the subject asset if sold or transferred/ exchanged**

a) The actual market price achieved may be higher or lower than our estimate of value (or range of value) depending upon the circumstances of the transaction (eg: the competitive bidding environment), the nature of the business (eg : the purchaser’s perception of potential synergies.

b) The knowledge, negotiating ability and motivation of the buyers and sellers and the applicability of a discount or premium for control will also affect actual market price achieved.

c) Accordingly, our valuation conclusion will not necessarily be the price at which actual transaction will take place.

❖ **Multiple factors affecting the Valuation Report:**

a) The valuation report is tempered by the exercise of judicious discretion by the RV, taking into account the relevant factors.

b) There will always be several factors, e.g. management capability, present and prospective competition, yield on comparable securities, market sentiment, etc. which may not be apparent from the Balance Sheet but could strongly influence the value.

❖ **Future services including but not limited to Testimony or attendance in courts/ tribunals/ authorities for the opinion of value in the Valuation Report**

a) I/We are fully aware that based on the opinion of value expressed in this report, I/we may be required to give testimony or attend court / judicial proceedings with regard to the subject assets, although it is out of scope of the assignment, unless specific arrangements to do so have been made in advance, or as otherwise required by law.

b) In such event, the party seeking our evidence in the proceedings shall bear the cost/professional fee of attending court / judicial proceedings and my / our tendering evidence before such authority shall be under the applicable laws.

❖ **Reliance on the representation of the owners/ clients , their management and other third parties**

a) The client/ owner and its management/ representatives warranted to us that the information they supplied was complete, accurate and true and correct to the best of their knowledge.

b) We have relied upon the representations of the owners/ clients, their management and other third parties concerning the financial data , operational data, and maintenance schedule of all plant –machinery –equipment –tools- vehicles, real estate investments and any other investments in tangible assets except as specifically stated to the contrary in the report.

c) I shall not be liable for any loss, damages, cost or expenses arising from fraudulent acts, misrepresentations, or wilful default on part of the companies, their directors, employee or agents

d) I express no opinion as to how closely the actual results will correspond to those projected / forecast as the achievement of the forecast results is dependent on actions, plans and assumptions of management.

❖ **No procedure performed to corroborate information taken from reliable external sources**

a) We have relied on data from external sources also to conclude the valuation. These sources are believed to be reliable .

b) we assume no liability for the truth or accuracy of any data, opinions or estimates furnished by others that have been used in this analysis.

c) Where we have relied on data, opinions or estimates from external sources, reasonable care has been taken to ensure that such data has been correctly extracted from those sources and /or reproduced in its proper form and context.

❖ **Compliance with relevant laws**

a) The report assumes that the company/business/asset complies fully with relevant laws and regulations applicable in its area of operations and usage unless otherwise stated, and that the companies/business/assets will be managed in a competent and responsible manner.

b) Further, as specifically stated to the contrary, this report has given no consideration to matters of a legal nature, including issues of legal title and compliance with local laws, and litigations and other contingent liabilities that are not recorded/reflected in the balance sheet/fixed assets register provided to us.

(End of report)