

# **Valuation Analysis**

## **Issuance of Equity Shares**

### **Shri Gang Industries and Allied Products Limited**

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**14<sup>th</sup> November 2024**

**Strictly Private & Confidential**



To,  
The Board of Directors  
Shri Gang Industries and Allied Products Limited  
Plot No. B-2/6 & 2/7, UPSIDC Industrial Area,  
Sandila Phase IV, Hardoi, Uttar Pradesh.

Ref. No.: CPV/RV/2024-25/024A

**Subject: Valuation Analysis of Equity Shares of Shri Gang Industries and Allied Products Limited ("Company") as per SEBI (ICDR) Regulations for the issuance of Equity Shares**

Dear Sir/Madam,

We, **Corporate Professionals Valuation Services Private Limited**, an Insolvency and Bankruptcy Board of India ("IBBI") Registered Valuer ("herein-after-referred as "**Valuer**") have been appointed as valuers by **Shri Gang Industries and Allied Products Limited** ("Company"/ "Client") to assist in determination of the fair value of equity shares of the Company for allotment of equity shares on preferential basis to certain proposed allottees.

The underlying transaction is the preferential issue of equity shares of the Company to certain proposed investors. The Company is listed on the Bombay Stock Exchange of India Limited (BSE) and frequently traded on BSE.

In terms of Regulation 166A read with Regulation 164 of SEBI (Issue of Capital & Disclosure Requirements) Regulations, 2018, a preferential issue, in which 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. Accordingly, the Company has approached us to compute a valuation.

Based on our valuation analysis of the equity shares of **Shri Gang Industries and Allied Products Limited** and subject to the notes and comments provided herein, we hereby certify that the value per equity share of the Company is **INR 68.96/-**

This certificate is being issued for compliance with the aforesaid regulatory purpose only. We further undertake that we are an independent valuer having no present or future interest in any transaction of the Company.



Thanking you

Date: 14<sup>th</sup> November 2024

Place: New Delhi

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



Sanchit Vijay  
(Director)

**Enclosures:**

**Annexure I:** Scope of Work

**Annexure II:** Valuation Approaches and Workings

**Annexure III:** Provisional Financial Statements for the period ended 30<sup>th</sup> June 2024.

**Annexure IV:** Caveats



## **ANNEXURE I: SCOPE OF WORK**

### **A. Purpose Of Valuation and Appointing Authority**

Based on the discussions held with the Management we understand that the Company is proposing preferential allotment of Equity Shares to certain investor(s). 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 the allottee acting in concert, shall, besides the market price, require valuation from an independent registered valuer and should be considered for determining the issue price. Thus, we, being a Registered Valuer, have been engaged as per the engagement letter dated 05<sup>th</sup> November 2024, we are issuing this certificate for compliance with Chapter V of SEBI (ICDR) Regulations.

### **B. Identity Of Client and Other Intended Users**

**Shri Gang Industries And Allied Products Ltd.**

Plot No. B-2/6 & 2/7, UPSIDC Industrial Area,  
Sandila Phase IV, Hardoi, Uttar Pradesh – 241204.

### **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**

Shri Gang Industries and Allied Products Limited is a BSE listed entity incorporated on 02 August 1989 having CIN L11011UP1989PLC011004. Registered address of the company is Plot No. B-2/6 & 2/7, UPSIDC Industrial Area Sandila Phase IV, Hardoi, Sandila, Uttar Pradesh, India, 241204. The Company has an exclusive manufacturing tie- up with Diageo for manufacturing of their brands in the state of Uttar Pradesh. The Company is also selling Uttar Pradesh made Liquor (UPML) under its brand "Golden Cascade" and "Bulldozer". Shri Gang Industries and Allied Products Limited sells its products under the brand name of APNA & Mr. Baker and "Golden Cascade".

- **Date of Appointment** – 05<sup>th</sup> November 2024 as per Engagement Letter
- **Valuation Date** – Based on 30<sup>th</sup> June 2024 Financials
- **Date of Report** – 14<sup>th</sup> November 2024
- **Base of value** – Fair Value
- **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 KMPs.
- Provisional Balance Sheet and Profit and Loss Statement for the period ending June 30<sup>th</sup>, 2024.
- Projections of the company beginning from 01<sup>st</sup> July 2024 to 31<sup>st</sup> March 2032.
- Capital line Database and other information in the public domain.
- Management Representation

**G. Extent Of Investigation Undertaken**

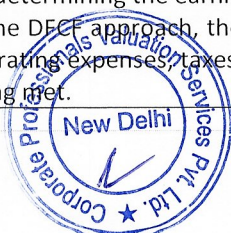
We have taken due care in performing valuation procedures and have also applied appropriate discount rates considering the riskiness of the business plan. However, we would like to expressly state that though we have reviewed the financial data for the limited purpose of valuation assessment, but we have not performed an Audit and have relied upon the historical as well as future financials (P&L Account and Balance Sheet) as prepared and submitted to us by the management of the company. It may so happen that the projections do not materialize but the management has represented to us that it has taken due care in the preparation of such forecasts of financial statements and the same may be considered as a true and fair view of the expected business plan of the company.



**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 the historical cost of net assets only without recognizing its present earnings, the comparative financial performance of its peers and their enterprise values, etc. Therefore, in general, Net Asset Value only reflects the minimum proxy value of the company.</p> <p><b>In the instant case, we have considered this methodology for the valuation exercise of the Company. However, the company is operating undergoing-Concern assumption we have not given this weightage in the determination of fair value of equity share.</b></p>
Market	Company Comparable Multiple (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 or Book Value (e.g. Revenue, EBITDA, EBIT, Earnings per Share or Book Value). A key benefit of Comparable Company Market Multiple analysis is that the methodology is based on the current market stock price. The current stock price is generally viewed as one of the best valuation metrics because it is based on observable inputs.</p> <p><b>This method has the impact of price fluctuation in reference to market and industry. This method also comes under Market Approach so We have considered 90-10 days method instead of multiple method because that is more appropriate in the instant case.</b></p>
	90 Trading-10 Trading Days	<p>The Company's shares are listed on the Bombay Stock Exchange (BSE), with a frequency of trading observed on the BSE. To determine the equity value in accordance with Regulation 33 of SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021, which references Regulation 164 of SEBI ICDR Regulation, 2018, the following criteria are considered for frequently traded shares:</p> <p>The equity shares' price for preferential issue should not be less than the higher of:</p> <ul style="list-style-type: none"> <li>• The 90 trading days volume weighted average price (VWAP) of the related equity shares quoted on the recognized stock exchange preceding the relevant date.</li> <li>• The 10 trading days volume weighted average prices of the related equity shares quoted on a recognized stock exchange preceding the relevant date.</li> </ul> <p><b>This method takes the impact of price fluctuation in reference to market and industry. We have considered this methodology in instant cases.</b></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. This methodology works on the premise that the value of a business is measured in terms of future cash flow streams, discounted to the present time at an appropriate discount rate. The value of the firm is arrived at by estimating the Free Cash Flows (FCF) to the Firm and discounting the same with the Weighted Average cost of capital (WACC). The DFCF methodology is the most appropriate basis for determining the earning capability of a business.</p> <p>In the DFCF approach, the appraiser estimates the cash flows of any business after all operating expenses, taxes, and necessary investments in working capital and Capex are being met.</p>





		We have considered this methodology for the calculation of the fair equity value of the Company based on its consolidated cash flows. After considering its business plan. We have calculated the Enterprise value and then derived the Equity value by adjusting its debt, cash and cash equivalents, and surplus assets on the date of valuation.
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### Computation of Equity value

#### **Asset Approach**

Net Asset Value (NAV) Method:

Shri Gang Industries and Allied Products Ltd.	
Particulars	All Amount INR Million
Equity Share Capital	179.30
Reserves and Surplus	(455.38)
<b>Net Asset Value as on 30.06.2024</b>	<b>(276.08)</b>
Appreciation/Diminution of investment	-
<b>Adjusted Networkth</b>	<b>(276.08)</b>
No. of Shares	17,930,000
<b>Value per Equity share (INR)</b>	<b>(15.40)</b>

#### **Market Approach**

90 Trading Days – 10 Trading Days

Shri Gang Industries and Allied Products Ltd.	
Particular	Details
Total Value of the Shares trading of 90 TD	60,784,501.00
Total No. of shares Traded in 90 TD	806,750.00
<b>90 TD VWAP</b>	<b>75.34</b>
Total Value of the Shares trading of 10 TD	4,260,480.00
Total of No. of Shares Traded in 10 TD	62,285.00
<b>10 TD VWAP</b>	<b>68.40</b>
<b>Maximum price</b>	<b>75.34</b>

**Note:** We have considered 14<sup>th</sup> November 2024 as the relevant date for the valuation exercise while using 90-10 Trading Days Method.





## Income Approach

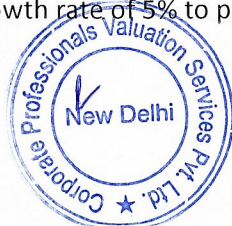
Discounted Free Cash Flow to Firm (DFCF):

## Discounted Free Cash Flow Analysis - Shri Gang Industries and Allied Products Limited

WACC:	10.23%	Amount In INR Million							
GROWTH RATE:	5.00%								
FY	2025 (9 Month)	2026	2027	2028	2029	2030	2031	2032	Terminal
Particulars									
Revenue from Operations	2,552.61	3,563.75	3,735.53	3,735.53	3,735.53	3,735.53	3,735.53	3,735.53	
Other Income	7.80	8.97	9.37	8.77	3.75	3.75	3.75	3.75	
PBT (Excluding Other income)	308.07	286.27	315.84	344.60	366.20	383.19	209.25	149.58	
Less: Direct Taxes Paid	25.89	72.05	79.49	86.73	92.17	96.44	52.66	37.65	
<b>PAT (Profit After Taxes)</b>	<b>282.18</b>	<b>214.22</b>	<b>236.35</b>	<b>257.87</b>	<b>274.04</b>	<b>286.75</b>	<b>156.58</b>	<b>111.94</b>	
Add: Depreciation	42.30	57.14	58.28	59.42	60.56	61.70	62.84	63.98	
Less: Capital Expenditure	15.20	30.00	30.00	30.00	30.00	30.00	30.00	30.00	
Add: Interest (Post-tax)	82.40	68.72	57.24	43.54	26.53	12.96	5.52	3.74	
Less: Change in Non Cash Working Capital	82.64	28.13	29.51	-	-	-	-	-	
<b>Free Cash Flows to Firm</b>	<b>309.04</b>	<b>281.96</b>	<b>292.36</b>	<b>330.83</b>	<b>331.12</b>	<b>331.41</b>	<b>194.95</b>	<b>149.65</b>	<b>1,708.44</b>
Discounting Factor	0.96	0.89	0.80	0.73	0.66	0.60	0.54	0.49	0.49
<b>Present value of Cash flow</b>	<b>297.95</b>	<b>249.64</b>	<b>234.82</b>	<b>241.06</b>	<b>218.87</b>	<b>198.73</b>	<b>106.05</b>	<b>73.85</b>	<b>843.12</b>
<b>Enterprise Value</b>	<b>2,464.09</b>								
Add: Cash & Cash Equivalents as on 30.06.2024	3.50								
Add: Other Bank Balances and Bank Deposit as on 30.06.2024	5.31								
Less: Deferred Tax Liabilities as on 30.06.2024	7.93								
Less: Debt as on 30.06.2024	1,255.32								
Less: Lease Liabilities as on 30.06.2024	6.50								
Less: Interest Payable	81.26								
<b>Equity Value</b>	<b>1,121.89</b>								
No. of Equity Shares	17,930,000								
<b>Per Share Equity Value (INR)</b>	<b>62.57</b>								

## Note:

For the valuation of equity shares through DCF methodology, we have relied upon the projections provided by the management for the period beginning 1<sup>st</sup> July 2024, and ending March 31, 2032, duly supplemented by its Terminal Value based on the Gordon Model and extrapolating the adjusted free cash flows for last year at an annual growth rate of 5% to perpetuity.





## DCF Assumptions:

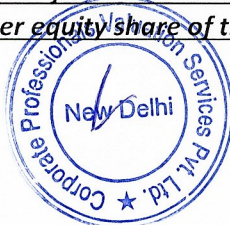
Particulars		Notes
Risk free rate (Rf) as on 28.06.2024	7.01%	Considering of long-term Indian government bond rate
Market Rate of Return	15.34%	BSE Sensex returns on a long-term basis
Industry Beta... ( $\beta$ )	0.39	We have taken the Leveraged beta for 5 Years of the target company, Beta value ( $\beta$ ) as 0.39 as the company is listed on NSE.
Additional Company Specific (Including Small Company) Risk Premium (Unsystematic Risk) (CSRP)	1.00%	We have given a 1 % additional risk premium looking into company profile, financial structure, and ROI an investor will investigate while investing in this type of company. This is also dependent upon the level of aggressiveness of the future cash flows, the present scenario of the country and the company environment in which it is operating.
<b>Cost of Equity (<math>K_e</math>)</b>	<b>11.28%</b>	<b>As per Modified CAPM model i.e. <math>[K_e = R_f + \beta(R_m - R_f) + CSRP]</math></b>
Cost of Debt	9.00%	As represented by the management of the Company
Equity portion in capital structure	76.92%	As per financials provided by the company as on 30 <sup>th</sup> June 2024.
<b>WACC</b>	<b>10.23%</b>	<b><math>WACC = (K_e * \% \text{ Equity in Capital Structure}) + (\text{Cost of Debt} * \% \text{ Debt in Capital Structure} * (1 - \text{Tax Rate}))</math></b>
Growth Rate	5%	As the perpetuity growth rate assumes that the Company will continue its historic business and generate Free Cash Flows at a steady state forever. Since terminal value constitutes a major proportion of the entire value of the business, we while deciding the terminal growth rate have given emphasis to economic factors & financial factors like Inflation of the Country, GDP growth of the Country, Projected Financials, Historical Financial Position, Organic & Inorganic growth strategies of the Company etc. Accordingly, for perpetuity, we have considered 5% growth rate.



**Computation of Fair Value of Shri Gang Industries and Allied Products Limited:**

Fair Value of Shri Gang Industries and Allied Products Limited				
				All Amount INR
Approach Applied	Methodology Applied	Weight	Equity Value per Share	Weighted Average Equity Value per Share
Asset	Net Asset Value	0%	(15.40)	-
Market	90D-10D Trading Days	50%	75.34	37.67
Income	Discounted Cash Flow	50%	62.57	31.29
Weighted Average Equity Value per Share				68.96

*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 value per equity share of the Company as INR 68.96/-.*





**Annexure III:****Provisional Balance Sheet as on 30<sup>th</sup> June 2024:**

Particulars	Amount in INR Million
Equity share capital	179.30
Other equity	(455.38)
<b>Total equity</b>	<b>(276.08)</b>
Non-current liabilities	992.89
Current liabilities	921.74
<b>Total equity and liabilities</b>	<b>1,638.55</b>
Non-current assets	1,304.47
Current assets	334.08
<b>Total assets</b>	<b>1,638.55</b>

**Provisional Profit and Loss Statement for the 3-Months period ended 30<sup>th</sup> June 2024:**

Particulars	Amount in INR Million
Revenue from operations	847.39
Other income	0.81
<b>Total Income</b>	<b>848.21</b>
Total Operating Expenses	775.12
<b>EBITDA</b>	<b>73.09</b>
Depreciation & Amortization	13.70
Finance Cost	27.94
<b>Profit Before Tax (PBT)</b>	<b>31.44</b>



#### **Annexure IV: Caveats**

- This Valuation Report has been issued on the specific request of “**Shri Gang Industries And Allied Products Limited**” for determining the value of the 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, 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 a legal nature.
- In Accordance with the customary approach adopted in the 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 in forming our opinion.
- This Report does not investigate 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 of or otherwise of entering into the proposed transactions.

