



VALUATION REPORT

Valuation report for determining fair value of equity shares of the Velox Industries Limited

Abstract

The purpose of this Valuation Report is to render valuation to determine fair value of the equity shares of the Company for the purpose of regulatory compliances pursuant to issuance of equity shares

CA Hitendra Ranka [FCA, RV (IBBI) - S&FA, DISA (ICAI), B.Com]

CA Hitendra Ranka

IBBI Registered Valuer

Asset Class: Securities or Financial Assets

Reg. No.: IBBI/RV/06/2019/11695

Strictly private and confidential

Dated: June 23, 2022

To,

The Board of Directors,

Velox Industries Limited

The Submit Business Bay,
102-103, Level-1 Service Road,
Western Express Highway,
Villey Parle East, Mumbai – 400 052.

Dear Sir(s) / Madam(s),

Sub: Valuation to determine the fair value of equity shares of the Company

I, Hitendra Ranka (“**Valuer**” or “**I**” or “**me**”), have been appointed vide engagement letter dated June 16, 2022 to recommend fair value of the equity shares of Velox Industries Limited (“**VIL**” or “**the Company**”) pursuant to its issue of equity shares for the purpose of regulatory compliances.

I am pleased to present herewith my report on the same. For the purpose of arriving at the valuation of the Company, I have considered the valuation base as ‘Fair Value’ and the premise of value is ‘Going Concern Value’. Any change in the valuation base, or the premise could have significant impact on my valuation exercise, and therefore, this report.

The threshold date for all the financial information and market parameters used in the present valuation exercise has been considered as March 31, 2022.

I believe that my analysis must be considered as a whole. Selecting portions of my analysis or the factors I considered, without considering all factors and analysis together could create a misleading view of the process underlying the valuation conclusions. The preparation of a valuation is a complex process and is

not necessarily susceptible to partial analysis or summary description. Any attempt to do so could lead to undue emphasis on any particular factor or analysis.

This letter should be read in conjunction with the attached report.

Thanking you,

Yours Faithfully,

Hitendra Ranka

Registered Valuer

Asset Class: Securities or Financial Assets

Registration No. IBBI/RV/06/2019/11695

Place: Ahmedabad

Date: 23 June 2022

UDIN: 22157129ALMCDR6288

Table of Contents

1.	CONTEXT AND PURPOSE	5
2.	BACKGROUND OF THE COMPANY	5
3.	CAPITAL STRUCTURE & SHAREHOLDING PATTERN.....	5
4.	REGISTERED VALUER.....	6
5.	CONDITIONS, MAJOR ASSUMPTIONS, EXCLUSIONS AND LIMITATIONS	6
6.	VALUATION DATE.....	7
7.	PREMISE OF VALUE.....	7
8.	SOURCES OF INFORMATION	7
9.	VALUATION STANDARDS.....	8
10.	PROCEDURES ADOPTED	8
11.	VALUATION METHODOLOGY AND APPROACH.....	9
12.	VALUATION OF COMPANY	11
13.	CAVEATS	12
14.	VALUATION AND CONCLUSION.....	13

1. CONTEXT AND PURPOSE

I refer to the engagement letter dated June 16, 2022, whereby I, Hitendra Ranka (“**Valuer**” or “**I**” or “**me**”), have been appointed by Velox Industries Limited (“**VIL**” or “**the Company**”) to render its equity valuation pursuant to issuance of equity shares.

The Final Valuation Report / Certificate of Valuation so provided to the directors of the Company shall be used for determining the fair value per equity share under the provisions of section 62(1)(c) Companies Act, 2013 as well as Regulation 165 and 166A of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 amended till April 27, 2022 (herein after referred to as “**SEBI (ICDR) regulations**”). Further this will also be used on need basis to fulfill the incidental regulatory compliance requirements with Ministry of Corporate Affairs (“**MCA**”) and Registrar of Companies (“**RoC**”) pursuant to the said issue of equity shares.

2. BACKGROUND OF THE COMPANY

VIL was incorporated on February 21, 1983, bearing CIN# L15122MH1983PLC029364 under the provisions of Companies Act, 1956 and rules made thereunder. Its registered office is located at The Submit Business Bay, 102-103, Level-1 Service Road, Western Express Highway, Viley Parle East Mumbai 400 052. The Company is engaged in the business of Food processing.

3. CAPITAL STRUCTURE & SHAREHOLDING PATTERN

The issued and subscribed equity share capital of VIL as at March 31, 2022 is as under:

Share capital	Amount in INR
<u>Authorized</u>	
-10,00,000 equity shares having face value of INR 10 each	100,00,000
Total	100,00,000
<u>Issued, Subscribed and Paid-up</u>	
-3,49,000 equity shares of INR 10 each fully paid-up	34,90,000
Total	34,90,000

The aforesaid equity share capital is held as follows:

Sr. No.	Shareholding	No. of shares held
1	Promoter and Promoter group	1,70,850
2	Public	1,78,150
Total		3,49,000

4. REGISTERED VALUER

I am a fellow member of The Institute of Chartered Accountants of India (**'ICAI'**) practicing as a partner with Ranka & Associates, Chartered Accountants. I am also registered with the Insolvency and Bankruptcy Board of India (**'IBBI'**), as a Registered Valuer for asset class – 'Securities or Financial Assets' with registration no. IBBI/RV/06/2019/11695. I have been hereinafter referred to as 'Valuer' or 'I' or 'me' in this Report ("Valuation Report' or 'Report').

5. CONDITIONS, MAJOR ASSUMPTIONS, EXCLUSIONS AND LIMITATIONS

- 5.1 I have not audited, reviewed, or compiled the financial statements of the Company and express no assurance on them. I acknowledge that I have no present or contemplated financial interest in the Company. My fee for this valuation is based upon normal billing rates, and not contingent upon the results or the value of the business or in any other manner. I have no responsibility to modify this report for events and circumstances occurring subsequent to the date of this report.
- 5.2 I have, however, used conceptually sound and generally accepted methods, principles and procedures of valuation in determining the value estimate included in this report. The valuation analyst, by reason of performing this valuation and preparing this report, is not to be required to give expert testimony nor to be in attendance in court or at any government hearing with reference to the matters contained herein, unless prior arrangements have been made with the valuation professional regarding such additional engagement.
- 5.3 This report, its contents, and analysis herein are specific to i) the purpose of valuation agreed as per the terms of my engagement, ii) the report date and iii) are based on the audited financial statements for the year ended March 31, 2022 received from the management of the Company.
- 5.4 This report and the information contained herein are absolutely confidential and are intended for the use of management and representatives of the Company for providing selected information and only in connection with purpose mentioned above or for sharing with Shareholders and Registrar of Companies. It should not be copied, disclosed, circulated, quoted or referred to either in whole or in part, in correspondence or in discussion with any other person except to whom it is issued without

my written consent. In the event, the Company or its management or its representatives intend to extend the use of this report beyond the purpose mentioned earlier in this report, with or without my consent, I will not accept any responsibility to any other party to whom this report may be shown or who may acquire a copy of the report.

5.5 I have not attempted to confirm whether all assets of the business of the company are free and clear of liens and encumbrances, or that the owner has good title to all the assets. I have also assumed that the business of the Company will be operated prudently and that there are no unforeseen adverse changes in economic conditions affecting the business, the market, or the industry.

5.6 I have been informed by management of Company that there is no environmental or toxic contamination problems, any significant lawsuits, or any other undisclosed contingent liabilities which may potentially affect the business of company, except as may be disclosed elsewhere in this report. I have assumed that no costs or expenses will be incurred in connection with such liabilities, if any.

5.7 This report is based on the information received from the sources mentioned herein and discussions with the representatives of the Company. I have assumed that no information has been withheld that could have influenced the purpose of my report.

5.8 The fair value of equity shares of VIL expressed in this report pursuant to its valuation is based on the Going Concern assumption.

6. VALUATION DATE

The threshold date for all the financial information and market parameters used in the present valuation exercise has been considered as March 31, 2022.

7. PREMISE OF VALUE

The premise of Value is “as a going concern”.

8. SOURCES OF INFORMATION

For the purpose of the report, following documents, and/or information published or provided by the management and representatives of the Company have been relied upon:

From the Managements

8.1 Brief history & brief note on the business profile of the Company.

- 8.2 Audited Financial Statements for the year ended on March 31, 2022 of the Company.
- 8.3 Capital structure and Shareholding pattern as of March 31, 2022 of the Company.
- 8.4 Discussion with the management and representatives of the Company including necessary information, explanations and representations provided by the management and representatives of the Company.
- 8.5 Management representation letter dated June 23, 2022.

9. VALUATION STANDARDS

The Report has been prepared in compliance with the Valuation standards adopted by ICAI Registered Valuers Organisation as well as International Valuation Standards issued by International Valuation Standards Council ('IVS').

10. PROCEDURES ADOPTED

In connection with this exercise, I have adopted the following procedures to carry out the valuation of the Company:

- 10.1 Requested and received information as stated in Sources of Information section in this Report.
- 10.2 Obtained data available in public domain.
- 10.3 Discussion (Physical/over call) with the respective management and representatives of the Company to understand relevant aspects that may impact the valuation.
- 10.4 Sought various clarifications from the respective management and representatives of the Company based on my review of information shared and my analysis.
- 10.5 Selection of valuation methodology/(ies) as per Valuation Standards adopted by ICAI Registered Valuers Organisation as well International Valuation Standards accepted by IVS.
- 10.6 Determined the fair value of equity shares of VIL based on the selected methodology.

11. VALUATION METHODOLOGY AND APPROACH

- 11.1 The standard of value used in the Analysis is “Fair Value”, which is often defined as the price, in terms of cash or equivalent, that a buyer could reasonably be expected to pay and a seller could reasonably be expected to accept, if the business were exposed for sale in the open market for a reasonable period of time, with both buyer and seller being in possession of the pertinent facts and neither being under any compulsion to act.
- 11.2 Valuation of a business is not an exact science and the conclusions arrived at in many cases will, of necessity, be subjective and dependent on the exercise of individual judgement. In the ultimate analysis, valuation will have to be tempered by the exercise of judicious discretion by the Valuer and judgement taking into accounts all the relevant factors. There is, therefore, no indisputable single value. While I have provided my recommendation of the fair equity share exchange ratio pursuant to the proposed scheme of the Company based on the financial and other information available to me and within the scope and constraints of my engagement, others may have a different opinion. The final responsibility for determination of the fair equity share exchange ratio is of the management of the Company who takes into account other factors such as their own assessment of the company and input of other advisors.
- 11.3 The valuation exercise involves selecting methods suitable for the purpose of valuation, by exercise of judgment by the Valuers, based on the facts and circumstances as applicable to the business of the Company to be valued. There are several commonly used and accepted methods for determining the fair value of equity which have been considered in the present case, to the extent relevant and applicable, including:

11.4 Cost Approach:

Cost approach focuses on the net worth or net assets of a business.

(A) Net Asset Value (NAV) method

The Net Assets Value (NAV) method, widely used under the Cost approach, considers the assets and liabilities as stated at their book values. The net assets, after reducing the dues to the preference shareholders, and contingent liabilities, if any, represent the value of the Company to the equity Shareholders. This valuation approach is mainly used in case where the assets base dominates earnings capability or in case where the valuing entity is a holding Company deriving significant value from its assets and investments.

(B) Adjusted Net Asset Value Method (“Adjusted NAV”)

Adjusted NAV method is a version of NAV method wherein assets and liabilities are considered at their realizable (market) value including intangible assets and contingent liabilities, if any, which are not stated in the Statement of Assets and Liabilities. Under this method, adjustments are made to the company’s historical balance sheet in order to present each asset and liability item at its respective fair market value. The difference between the total fair market value of the adjusted

assets and the total fair market value of the adjusted liabilities is used to value a company. The value arrived at under this approach is based on the financial statements of the business and may be defined as Net-worth or Net Assets owned by the business.

This valuation approach is mainly used in case where the Company is to be liquidated i.e., it does not meet the “going concern” criteria or in case where the assets base dominates earnings capability. The Asset Approach is generally considered to yield the minimum benchmark of value for an operating enterprise.

11.5 **Market Approach:**

(a) Market Price Method

The market price of an equity shares as quoted on a stock exchange is normally considered as the value of the equity shares of that Company where such quotations are arising from the shares being regularly and freely traded in, subject to the element of speculative support that may be inbuilt in the value of shares.

(b) Comparable Companies Market Multiple (CCMM) Method

Under this methodology, market multiples of comparable listed companies are computed and applied to the business being valued in order to arrive at a multiple based valuation. The difficulty here is in the selection of a comparable company since it is rare to find two or more companies with the same product portfolio, size, capital structure, business strategy, profitability and accounting practices.

Whereas no publicly traded company provides an identical match to the operations of a given company, important information can be drawn from the way comparable enterprises are valued by public markets. This valuation is based on the principle that market transactions taking place between informed buyers and informed sellers, incorporate all factors relevant to valuation. Relevant multiples need to be chosen carefully and adjusted for exceptions and circumstances. Generally used multiples are EV/EBITDA multiple, EV/Revenue and Market Capitalization/PAT (PE multiple).

To arrive at the total value available to the stakeholders, the value arrived under CCMM method if calculated by EV/EBITDA or EV/Sales is adjusted for debt, (net of cash and cash equivalents), surplus non-operating investments and contingent liabilities. Value arrived under the PE multiple is adjusted only for surplus non-operating investments and contingent liabilities. (No debt adjustments required).

(c) Comparable Companies Transactions Multiple (CTM) Method

Under this method, value of the equity shares of a company is arrived at by using multiples derived from valuations in comparable companies, as manifest through transaction valuations. Relevant multiples need to be chosen carefully and adjusted for differences between the circumstances.

11.6 **Income Approach:**

The income approach is appropriate for estimating the value of a specific income / cash flows stream with consideration given to the risk inherent in that stream. The most common method under this approach is discounted cash flow method.

Maintainable Profit Method (Discounted Cash Flows – “DCF”)

DCF uses the future free cash flows of the company discounted by the firm’s weighted average cost of capital (the average cost of all the capital used in the business, including debt and equity), plus a risk factor measured by beta, to arrive at the present value.

Beta is an adjustment that uses historic stock market data to measure the sensitivity of the company’s cash flow to market indices, for example, through business cycles.

The DCF method is a strong valuation tool, as it concentrates on cash generation potential of a business. This valuation method is based on the capability of a company to generate cash flows in the future. The free cash flows are projected for a certain number of years and then discounted at a discount rate that reflects a company’s cost of capital and the risk associated with the cash flows it generates. DCF analysis is based mainly on the following elements:

- Projection of financial statements (key value driving factors)
- The cost of capital to discount the projected cash flows

Terminal Value

The terminal value refers to the present value of the business as a going concern beyond the period of projections up to infinity. This value is estimated by taking into account expected growth rates of the business in future, sustainable capital investments required for the business as well as the estimated growth rate of the industry and economy.

12. VALUATION OF COMPANY

12.1 Based on the information and explanations received from management, I understand that the future business plan of the company is not yet ready and consequently financial projections are not prepared. Moreover, as informed to me company’s asset base is significant and it lacks in earning capacity. Consequently, I have not used DCF method under Income approach and have used Adjusted NAV method for my analysis keeping in view the available information and explanations from the management and context and purpose of the valuation analysis.

12.2 VIL is listed on Bombay Stock Exchange, however its shares are infrequently traded and accordingly, Market price method under Market approach is also not used.

12.3 Further, based on the information and explanations received from management of VIL, I understand that there are no exact comparable companies as well as comparable transactions for me to present a relative case for valuation of VIL. Accordingly, I have not used the CCMM and CTM methods under Market Approach for the valuation exercise of VIL.

12.4 Fair value per equity share as per Adjusted NAV method is arrived as under:

Total Equity as at March 31, 2022

Total number of outstanding equity shares as at March 31, 2022

i.e. $\text{INR } -11,29,840) / 3,49,000$ equity shares

Hence, fair value per equity share as per Adjusted NAV method is $\text{INR } -3.24/-$ per share.

13. CAVEATS

- 13.1 Provision of valuation recommendations and considerations of the issues described herein are areas of my regular corporate advisory practice. The services do not represent accounting, assurance, financial due diligence review, consulting, transfer pricing or domestic/international tax-related services that may otherwise be provided by me.
- 13.2 My review of the affairs of the Company and its books and account does not constitute an audit in accordance with Auditing Standards. I have relied on explanations and information provided by the Management and representatives of the Company and accepted the information provided to me as accurate and complete in all respects. Although, I have reviewed such data for consistency and reasonableness, I have not independently investigated or otherwise verified the data provided. Nothing has come to my attention to indicate that the information provided had material misstatements or would not afford reasonable grounds upon which to base the Report.
- 13.3 The report is based on the details and information provided to me by the Management and representatives of the Company and thus the responsibility for the assumptions on which they are based is solely that of the Management of the Company and I do not provide any confirmation or assurance on these assumptions. Similarly, I have relied on data from external resources. These sources are considered to be reliable and therefore, I assume no liability for the accuracy of the data. I have assumed that the business continues normally without any disruptions due to statutory or other external/internal occurrences.
- 13.4 The valuation worksheets prepared for the exercise are proprietary to the valuer and cannot be shared except as stated in the purpose statement of this document. Any clarifications on the workings will be provided on request, prior to finalizing the Report, as per the terms of my engagement.
- 13.5 The scope of my work has been limited both in terms of the areas of the business and operations which I have reviewed and the extent to which I have reviewed them.

- 13.6 The Valuation Analysis contained herein represents the fair value of equity shares of the Company only on the date that is specifically stated in this Report. This Report is issued on the understanding that the Management of the Company has drawn my attention to all matters of which they are aware, which may have an impact on my Report up to the date of signature. I have no responsibility to update this Report for events and circumstances occurring after the date of this Report.
- 13.7 My valuation analysis should not be construed as investment advice; specifically, I do not express any opinion on the suitability or otherwise of entering into any transaction with the Company.

14. VALUATION AND CONCLUSION

Based on the foregoing data, considerations and steps followed, since the fair value of equity shares of the Company is negative and accordingly, issuance of equity shares shall be made at face value i.e. at **INR 10/- (Rupees Ten Only)**. Since the fair value of the equity shares of the Company is negative, control premium shall be Nil.

Respectfully submitted,

Hitendra Ranka

Registered Valuer

Asset Class: Securities or Financial Assets

Registration No. IBBI/RV/06/2019/11695

Place: Ahmedabad

Date: 23 June 2022

UDIN: 22157129ALMCDR6288