# AVINASH KOTHARI

(B.Com, ACMA, FCS)
Registered Valuer : Securities or Financial Assets
IBBI Regn. No. - IBBI /RV /05 /2020 /12837

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**September 14, 2020**

| | |
|---|---|
| **To,**<br>**The Board of Directors**<br>**Sagar Productions Limited**<br>Flat No. B-302, ROYAL SANDS,<br>Ajmera Complex, Shastri Nagar,<br>Behind Citi Mall, Off New Link Road,<br>Andheri(West), **Mumbai- 400053** | **To,**<br>**The Board of Directors**<br>**Epuja Web Solutions Private Limited**<br>Flat No. 62, 6th Floor, Asha Building,<br>23, Dongersi Road, Malabar Hills,<br>**Mumbai – 400 006** |

**Subject: Recommendation of fair share exchange ratio for the proposed amalgamation of Epuja Web Solutions Private Limited ('Epuja') with Sagar Productions Limited ('SPL').**

**Dear Sir,**

We refer to the terms of engagement and discussions held with the Management of Sagar Productions Limited (hereinafter referred to as 'SPL' or 'transferee company') and Epuja Web Solutions Private Limited (hereinafter referred to as 'Epuja' or 'transferor company'), wherein the Management of SPL and Epuja have approached Avinash Kothari, Registered Valuer- Securities or Financial Assets registered with IBBI having Registration No. IBBI/RV/05/2020/12837 (hereinafter referred to as 'Valuer', 'we' 'our' or 'us') to recommend a fair share exchange ratio for the proposed amalgamation of Epuja with SPL.

Hereinafter, the proposed amalgamation shall be referred to as 'proposed transaction' and the Management including the Board of Directors of SPL and Epuja, together, shall be referred to as 'the Management';

We have carried out the relative valuation of SPL and Epuja as on 31st March, 2020 ("Valuation Date") considering various data as stated in the 'Sources of information' section in the report. A summary of the analysis is presented in this report, as well as description of the methodology and procedure we used, and the factors we considered in formulating our opinion. In addition, we have listed the sources of information used in this report and the scope of work in the course of our assignment. This report is subject to the attached limitations, qualifications, assumptions, exclusions & disclaimers and to terms and conditions in the engagement letter for this assignment.

**SCOPE & PURPOSE OF THE REPORT AND APPOINTING AUTHORITY**

We understand that the Management of SPL and Epuja are contemplating a scheme to amalgamate Epuja with SPL pursuant to the provisions of Section 230 to 232 of the Companies Act, 2013 or any statutory modifications, re-enactment or amendments thereof for the time being in force ("the Act") read with the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016 ("the Rules"), as amended from time to time and all other applicable provisions, if any, of the Act and any other applicable law for the time being in force

and the rules framed therein with respect to the proposed amalgamation and in a manner provided in the Scheme of Amalgamation (hereinafter referred to as 'the Scheme'). As per the Scheme of Amalgamation, the eligible equity shareholders of Epuja shall receive consideration in form of equity shares of SPL in the share exchange ratio as determined by the Board of Directors on the basis of share exchange ratio report prepared by the Registered Valuer as required under the applicable provisions of Companies Act, 2013.

In connection with the above-mentioned proposed amalgamation, the Management has appointed us i.e. Avinash Kothari, Registered Valuer- Securities and Financial Assets having Registration No. IBBI/RV/05/2020/12837 to submit a report recommending a fair share exchange ratio for the proposed amalgamation. We have carried out our valuation analysis to determine the fair share exchange ratio as at the Valuation Date.

We understand that the proposed appointed date for the amalgamation is 01 April 2020 or such other date as the competent authority may direct or approve.

**IDENTITY OF VALUER AND OTHER EXPERTS INVOLVED, IF ANY**

I, Avinash Kothari, am a Registered Valuer (S&FA), having Registration No. IBBI/RV/05/2020/12837 with the Insolvency and Bankruptcy Board of India. The Valuer is appointed by the management, to submit a report recommending a fair share exchange ratio for the proposed amalgamation. There are no other experts involved in this valuation exercise.

**DISCLOSURE OF VALUER'S INTEREST OR CONFLICT, IF ANY:**

The Valuer acts as an independent professional for the said Valuation exercise. The Valuer is not interested or concerned, financially or otherwise, in the proposed transaction of amalgamation of Epuja with SPL. The fee for this report is not contingent upon the fair value of the Equity Shares or recommendation for share entitlement ratio as reported herein.

**DATE OF APPOINTMENT, VALUATION DATE AND DATE OF REPORT**

The management has appointed the Valuer through Engagement Letter dated August 1, 2020 i.e. Date of Appointment of Valuer for this assignment. The date on which the Valuation Report is issued is mentioned at the end of the Report i.e. September 14, 2020.

We understand that the appointed date for the proposed Amalgamation will be 1st April 2020 ("**Appointed Date**") and we have been accordingly indicated by the Management of the Companies to consider the valuation date as at 31st March 2020 ("**Valuation Date**") to submit a report recommending a fair share exchange ratio for the proposed amalgamation.

**CONFIDENTIALITY NOTE**

The information contained in this document is privileged and confidential. It is intended only for the use of the Company and for the purpose mentioned under the Section "Scope & Purpose of Report" of this report.

The report shall not be disclosed or shared to any third party, without prior written consent of the Valuer, except as required by law. Any retention, dissemination, distribution or copying or sharing of any information from this document is strictly prohibited.



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## INSPECTION / INVESTIGATION UNDERTAKEN:

While carrying out the valuation exercise, we have considered and made review of information as mentioned in the Section "Source of Information" in this Report along with the discussion and communication made with the management and its representatives. There is no any further inspection/investigation undertaken for this purpose.

## BACKGROUND OF THE COMPANIES

### 1. Sagar Productions Limited:

SPL is public company, limited by shares, the company was incorporated on 5th April,1980 under the provision of the Companies Act 1956 in the name of Shri Kriti Jain Finance Private Limited in the state of Maharashtra. Thereafter the name of the company changed from Shri Kriti Jain Finance Private Limited to Kriti Finvest Limited with effect from September 1995 and further name changed from Kriti Finvest Limited to Sagar Production Limited with effect from 8th December, 2009, thereafter there has been no further change in the name of SPL in last five (5) Years, except as stated above. The Corporate Identification Number of SPL is L93000MH1980PLC170432.

The Registered office of SPL is situated at Flat no. B-302, "Royal Sands", Ajmera Complex, Shastri Nagar, Behind Citi Mall, Off New Link Road Andheri West Mumbai city Maharashtra 400053.

SPL is widely held public listed company. The shares of SPL are listed on Bombay Stock Exchange. The SPL is inter alia engaged in Production of television programmes or television commercials and media production or media trading activities. Further SPL provides online and conventional facilities for prayers, rituals ceremonies and religious celebrations.

**Capital Structure of SPL:**
The Capital Structure of SPL as at the valuation date is set out below:

| Particulars | Amount (Rupees) |
|---|---|
| **Authorised Share Capital :**<br>60,000,000 - Equity Shares of Rs.1/- Each | 6,00,00,000 |
| **TOTAL AUTHORISED CAPITAL** | **6,00,00,000** |
| **Issued, Subscribed and paid up Capital:**<br>4,01,12,025 - Equity shares of Rs.1/- each | 4,01,42,125 |
| **TOTAL ISSUED, SUBSCRIBED AND PAID-UP CAPITAL** | **4,01,42,125** |

**Board of Directors of SPL:**
The Board of Directors of SPL as on the valuation date comprises of the following individuals;

| Sr. | Name of the Director | Designation |
|---|---|---|
| 1 | Kalakad Sundaram Sathi | Whole-time Director |
| 2 | Hemlata Jaishanker Chanda | Director |
| 3 | Sunil Kumar | Director |
| 4 | Abhishek Parasar | Director |
| 5 | Tanuraj Adhikari | Director |
| 6 | Sakar Brijnath Watal | Director |



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**2. Epuja Web Solutions Private Limited:**

Epuja is Private Company, limited by shares, was originally incorporated on 18th July,2014 under the provision of Companies Act 1956/2013 in the state of Maharashtra. There has been no change in the name of EPWSPL since incorporation. The Corporate Identification Number of EPWSPL is U74999MH2014PTC256176.

The Registered office of Epuja is situated at Flat No. 62, 6th floor, Asha building 23 Dongersi Road, Malabar Hill Mumbai City Maharashtra- 400006,India. There has been no change in registered office address of EPWSPL since incorporation.

Epuja is *inter alia* engaged in business which provides online portal that offers access to religious ceremonies and remedy rituals across 3600 temples in India. Epuja provides easy access to divine interaction and accountability of transactions including a wide network, online ecommerce facilitation and credibility.

**Capital Structure of Epuja:**

The Capital Structure of Epuja as at the valuation date is set out below:

| Particulars | Amount (Rupees) |
|---|---|
| **Authorised Share Capital :**<br>20,00,000 - Equity Shares of Rs.10/- Each | 2,00,00,000 |
| **TOTAL AUTHORISED CAPITAL** | **2,00,00,000** |
| **Issued, Subscribed and paid up Capital:**<br>16,23,388 - Equity shares of Rs.10/- each | 1,62,33,880 |
| **TOTAL ISSUED, SUBSCRIBED AND PAID-UP CAPITAL** | **1,62,33,880** |

**Board of Directors of Epuja:**

The Board of Directors of Epuja as on the valuation date comprises of the following individuals;

| Sr. | Name of the Director | Designation |
|---|---|---|
| 1 | Rikin Jitendra Parekh | Director |
| 2 | Shivakumar | Director |
| 3 | Chetan Merchant | Director |

**SOURCES OF INFORMATION**

In connection with the valuation exercise, we have used and relied on the following sources of Information;

**A. Company specific information:**

- Audited financial statements of SPL for the year ended 31 March 2019 & 31 March 2020.
- Audited financial statements of Epuja for the year ended 31 March 2019. Unaudited provisional financial statements of Epuja the year ended 31 March, 2020.
- Latest shareholding pattern of SPL and Epuja as at valuation date;
- Financial projections of Epuja from FY ended 2021 to FY ended 2025 ('Management Projections') which represent management's estimate of the future financial performance of Epuja;



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- Draft scheme of amalgamation; and
- Such other information and documents as provided by the Management & company website in connection with business operations, future business plans & prospects etc.

**B. Industry and Economy Information:**

- Information available in websites such as MCA21, BSE, https://in.investing.com/rates-bonds/india-10-year-bond-yield-historical-data and

Besides the above, there may be other information provided by the Management which may not have been perused by us in detail, if not considered relevant for our defined scope.

The Management was provided with the opportunity to review the draft report (excluding the fair share exchange ratio) as part of our standard practice to make sure that factual inaccuracy omission are avoided in our final report.

**SCOPE LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS AND DISCLAIMERS:**

Our report is subject to scope limitations, assumptions, qualifications, exclusions and disclaimers detailed hereinafter. As such, the report is to be read in totality and not in parts, in conjunction with relevant documents referred to herein.

We have not independently verified the underlying data, projections and assumptions in preparation of this financial information. We have used and relied solely on the data, material and other information furnished and made available by the Company & its representatives and we have considered the same to be accurate and bonafide. No responsibility is assumed for information furnished by the Company and such information is believed to be reliable.

While our work involved review and analysis of the financial information of the Company, but our work do not constitute an audit or validation of financial statements of the Company. Our work does not constitute independent valuation of any assets or liabilities of the Company. Our conclusion of valuation assessment assumes that the title to assets and liabilities of the Company as reflected in balance sheet is intact.

We have not carried out any nature of investigation of the Companies' claim to title of the assets for the purpose of this valuation and Companies' claim to such rights has been assumed to be valid. No consideration has been given to liens or encumbrances against the assets, if any beyond the loans disclosed in the financial statements or for any contingent nature of liabilities, tax disputes, outstanding claim matters or obligations of any kind. Therefore, no responsibility in any nature is assumed for matters of a legal nature, claims, contingencies, obligations or such other matters and accordingly financial implication, if any for such matters are not factored in this report.

Valuation analysis and results are specific to the purpose of valuation and not for any other purpose. It may not be valid or used for any other purpose. The opinion contained herein is intended to represent recommendation for the share entitlement ratio as on valuation date and not for any other date.

In the course of the valuation, we were provided with both written and verbal information. We have evaluated the information provided to us by the Companies through broad inquiries, analysis, management discussions together with their representations and reviews but have not carried out a detailed scrutiny, independent verification, audit, or due diligence of the information provided for the purpose of this engagement. We assume no responsibility for any errors in the information provided by the Companies and their impact on the present exercise.

This report is issued on the understanding that the Companies have drawn our attention to all material information, facts and details concerning the business activities and financial position of the Companies or in any such other matter affecting the same which they are aware of, which may have an impact on our opinion, on the fair value of Equity Shares of the Companies and recommending fair exchange ratio for the purpose of the proposed amalgamation, including any significant changes that have taken place or likely to take place in the financial position of the Companies, subsequent to the report date. We have no responsibility to update this report for any such events and circumstances occurring after the date of this report. We assume no responsibility to update this report based on changes in projections and/or their achievement in future.

The realization of the projections is dependent on the continuing validity of assumptions. Our review cannot be directed to providing any assurance about the achievability of the final projections. Since projections relate to future, the actual results may differ from projected results and differences may be material and it may have material impact on our conclusion.

Our Report does not form part of any offer or invitation to any section of public to subscribe for or purchase equity shares or assets or liabilities of the Company or lend money to the Company with or without security or lend money against the security of equity shares of the Company.

It is to be noted that valuation is not a precise science and the responsibility for any decision would remain with the decision makers. The conclusions arrived at in many cases will, of necessity, be subjective and dependent on the exercise of individual judgement. There is, therefore, no indisputable single value. While we have been provided an assessment of the value based on the information available, application of certain formulae and within the scope and constraints of our engagement, others may place a different value to the same.

The recommended value & share exchange ratio has been arrived taking into consideration current and future prospects of the entities on an independent and standalone basis without taking into account benefits and synergies that will accrue taking proposed amalgamation into consideration.

Our report does not address the relative merits of the proposed Amalgamation as compared with any other alternatives for business transaction, or other commercial or non-commercial alternatives, or whether or not such alternatives could be achieved or are available. Any decision by the Board of Directors & members of the Companies regarding whether to proceed with the proposed Amalgamation or not, solely rests with their own judgement and discretions. This report is restricted to recommendation of fair share exchange ratio only.

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It is hereby notified that reproduction, copying or otherwise quoting of this report or any part thereof, either in whole or in part is not permitted without our prior written permission.
Our report is not, nor should it be construed as, any kind of assurance or opinion or certification for the compliance of the proposed Amalgamation with the provisions of any applicable laws including the Companies Act, 2013, taxation and capital market related laws or as regards any legal, accounting or taxation implication or issues arising from such proposed Amalgamation.

This report is prepared only in connection with the proposed amalgamation exclusively for the use by the Companies for the said purpose only and for submission to any regulatory/statutory authority as may be required under any law in connection with the proposed amalgamation. We do not accept any liability to any third party in relation to the issue of this valuation report. This report is confidential being for use of person to whom it is issued. It is not to be used other than for the purpose outlined herein above. It is not to be distributed for any other purpose or to any other person without our consent.

The information contained herein and our report is confidential in nature. Any person/party intending to provide finance/invest in the shares/business of or enter into any nature of commercial transaction with any of the Companies, shall do so, after seeking their own professional advice and after carrying out their own due diligence procedure to ensure that they are making an informed decision.

Neither the report nor its contents may be referred to or quoted in any registration statement, prospectus, offer memorandum, annual report, loan agreement or other agreement or document given to the third parties, unless otherwise required in connection with the proposed Amalgamation.

We do not accept any Liability to any third party in relation to the issue of this report. It is understood that this analysis does not represent a fairness opinion on the share Exchange Ratio. This Report is not a substitute for the third party's own due diligence/ appraisal/ enquiries/ independent advice that the third party should undertake for his purpose. This valuation report is subject to the laws of India.

In addition, we express no opinion or recommendation as to how the shareholders of the Companies should vote at any shareholders meetings(s) to be held in connection with the proposed Amalgamation.

This valuation report at best is only an 'opinion' or 'recommendation'. It is not an advice to the parties to the Transaction to conclude Transaction as contemplated in this report. The parties to the Transaction may do so at their risk and responsibility after undertaking necessary due diligence and evaluation. In addition, we express no opinion or recommendation as to how the shareholders of the Companies should vote at any shareholders meetings(s) to be held in connection with the proposed Amalgamation.

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## VALUATION APPROACH, BASIS & STANDARD

The application of any particular approach or method of valuation depends on the purpose for which the valuation is done. Although, different values may exist for different purpose, it cannot be too strongly emphasized that a Valuer can only arrive at one value for one purpose. Our choice of methodology of valuation has been arrived at using usual and conventional methodologies adopted for transactions of similar nature and our reasonable judgment, in an independent and bona fide manner. The generally used valuation approaches are briefed hereunder;

| Aspects | Income Approach | Market Approach | Cost / Asset (NAV) Approach |
|---|---|---|---|
| **Valuation Principle Applied** | Discounts future cash flows to the present date | Values of companies operating in the same industry are correlated | Book Values or Realizable Values of Assets after considering balance sheet |
| **Relevant Parameters** | Discounted Cash Flows (DCF) | Comparable Listed Companies/ Comparable Transactions/ Market Price Method | Replacement Cost/ Net Asset Value /Realizable Value |
| **Appropriate situations to Which the method may be applied** | DCF is commonly used to value businesses or equity interests. It is appropriate for use when the wealth generating capacity of the business is determinable, going concern assumption is valid and when forecasts are available. | Market Approach is used when forecasts are not available, a set of suitable comparable companies are available and going Concern assumption is valid. It is also used as a cross-check / benchmark to DCF method. | The Cost Approach is used when going concern assumption is doubtful and liquidation is predominant or if the Company is newly incorporated or Company operates in capital intensive industry & has incurred substantial amount of capex. |

Valuation is not merely a matter of mathematics or science with that kind of precision or rationality. It also involves use of skills of judgment by the Valuer to bring impact of various non-quantifiable factors to bear on the valuation analysis. In the ultimate analysis, valuation will have to be tempered by the exercise of judicious discretion and judgment considering all the relevant factors. There will always be several factors, e.g. quality and integrity 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 will strongly influence the worth of a business.

### BASIS OF VALUATION

This Report is prepared based on the Concept of Going Concern which assumes that Enterprise shall continue to operate and run its business for long. Considering the subject Entity as Going Concern, we have arrived at the Fair Value of Equity Shares of the Company. We have adopted & reported Fair Value as

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***"The 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."***

**VALUATION STANDARD:**

We have considered and adopted the International Valuation Standards (IVS) published by The International Valuation Standards Council (IVSC), which is the independent global standard setter for the valuation profession.

**VALUATION METHODOLOGIES:**

There are different methods for valuation which can be applied for arriving at the fair market value of the equity shares of the company. However, the application of methods depends upon various factors which directly or indirectly may affect such valuation. Some of such factors are as under;

- Objective for which the valuation is carried out.
- Industry segment where the Company is operating.
- Nature of the business and the history from its inception.
- Future projections as to business operations and financials of the Company.
- Regulatory requirements, if any, as to particular transaction or purpose for which valuation exercise is undergone.

There are several internationally accepted and commonly used methodologies for determining the fair value of the shares of a company, whose shares are not listed on a stock exchange such as:

1) Asset Approach - Net Asset value ("NAV') methodology
2) Market Approach - Comparable Transaction Multiples ("CTM") methodology.
   - Comparable Companies Multiples ("CCM") methodology.
   - Market Price methodology (For Listed Company)
3) Income Approach - Discounted Cash Flow ("DCF") methodology.

**NAV Methodology:**

The asset-based valuation method is based on the value per share of the underlying net assets and liabilities of the Company, either on a book value basis or realization value basis or replacement cost basis. This methodology is likely to be appropriate for business which derives value mainly from the underlying value of its assets rather than its earnings. This value analysis approach may also be used in case where the firm is to be liquidated i.e. it does not meet the "going concern" criteria or in case where the assets base dominates earnings capability. It is also used where the main strength of the business is its asset backing rather than its capacity or potential to earn profits.

SPL and Epuja presently operate as a going concern. Currently SPL is profitable and generate surplus cash while Epuja is incurring losses. However going forward Epuja is expected to earn profits and generate positive cash flows and is expected to continue to do so for the foreseeable future as Epuja business has potential for growth. SPL though is generating profit, but its revenues are declining constantly and there is no much growth potential seen in its current business activities. As NAV does not value the future profit generating ability of the business, we have therefore not used this method to value the Companies.

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**CTM Methodology:**

The CTM Methodology involves applying derived transaction multiples of comparable transactions to the company's future maintainable revenues/ profits (based on past and/ or projected working results adjusted to reflect the future earnings potential) after making adjustments to the derived multiples on account of dissimilarities with the comparable transactions and the strengths, weaknesses and other factors peculiar to the proposed transaction for which the company is being valued.

We have performed a search for suitable comparable transactions for valuing the equity shares of the Company under the CTM method. However, our research did not indicate comparable transaction in respect of which complete details of the deal structure, profitability, etc. are available in public domain. Hence, we have not been able to apply this methodology in the present case.

**CCM Methodology:**

Under this method, one attempts to measure the value of the shares/ business by applying an appropriate capitalization rate/ multiple (the EV/Revenue multiple, the EV/EBITDA multiple, etc.) - for which one may also consider the market quotations of comparable public/ listed companies possessing attributes similar to the business - to the future maintainable profits of the business (based on past and / or projected working results adjusted to reflect the future earnings potential) after making adjustments to the capitalization rate/ multiple on account of dissimilarities with the comparable companies and the strengths, weaknesses and other factors peculiar to the company being valued.

Consequently, identifying comparable listed companies to the company being valued, both in business and financial terms, is highly important. As in the present case, we could not find any publicly listed comparable companies; hence we have decided not to use this method.

**Market Price Methodology**

The market price of an equity share 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. Since the equity shares of Epuja are not listed on any stock exchange, we have not used this method to arrive at the equity value of the Company. SPL being listed on BSE and being frequently traded, we have used only the market price method to value the equity shares of SPL.

As part of the proposed amalgamation, equity shares of SPL, the listed entity will be issued to the shareholders of Epuja as a consideration. SEBI Circular No. CFD/DIL3/CIR/2017/21 dated 10 March 2017 and SEBI Circular No. CFD/DIL3/CIR/2017/26 dated 23 March 2017 states that issuance of shares by a listed entity to a select group of shareholders or shareholders of unlisted companies pursuant to the scheme of arrangement/ amalgamation shall follow the pricing provisions of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018

Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 as amended from time to time prescribes that if the equity shares of the issuer have been listed on a recognized 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:

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*a) the average of the weekly high and low of the volume weighted average price of the related equity shares quoted on the recognized stock exchange during the twenty-six weeks preceding the relevant date; or*

*b) the average of the weekly high and low of the volume weighted average prices of the related equity shares quoted on a recognized stock exchange during the two weeks preceding the relevant date.*

As clarified in the SEBI Circular No. CFD/DIL3/CIR/2017/26 dated 23 March 2017, the **'relevant date'** for the purpose of computing pricing shall be the date of Board meeting in which the scheme is approved.

***Considering the above formula, the value (market price) of the equity shares of SPL is arrived at Rs. 9.25/- per equity share, as detailed in the attached Annexure -1.***

**DCF Methodology:**

Under this valuation technique, either

- the projected free cash flows from business operations available to all providers of capital are discounted at the weighted average cost of capital to such capital providers, from a market participant basis, and the sum of such discounted cash flows is the value of the business, from which value of debt and other capital is deducted, and other relevant adjustments made to arrive at the value of the equity - Free Cash Flows to Firm ("FCFF") technique; **or**
- the projected free cash flows from business operations available to equity shareholders (after deducting cash flows attributable to the debt and other capital providers) are discounted at the cost of equity, from a market participant basis, and the sum of such discounted free cash flows, after making other relevant adjustments, is the value of the equity - Free Cash Flows to Equity ("FCFE") technique.

**VALUATION METHODOLOGY APPLIED FOR *Epuja & SPL***

We are required to arrive at the fair valuation of shares of Epuja & SPL as per any internationally accepted pricing methodology for valuation of shares on arm's length basis. Basis the analysis undertaken in previous paragraph; we have used Discounted Cash Flow approach in our analysis for computing the fair value of equity shares of Epuja & SPL.

The DCF method is considered as the most theoretically sound approach and scientific and acceptable method of determination of the value of a business. Under this technique the projected free cash flows from business operations are discounted at the appropriate cost of capital to the providers of capital to the business, and the sum of the present discounted value of such free cash flows and Terminal Value is the value of the business.

**Application of the DCF methodology for valuation of the Company entailed the following stages:**

Estimation of the net cash flows of the company to be generated from April 1, 2020 to March 31, 2025 based on financial projections. This estimate has been produced from financial projections supplied and approved by management.

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The future free cash flows are derived considering, inter alia, Profit after Tax, Depreciation, changes in the working capital, Capital Expenditure. They are an aggregation of free cash flows during the explicit forecast period – prepared based on the business plan – and during the post explicit forecast period, estimated using an appropriate method, and are available to company's equity shareholders.

Calculation of the discount rate based on Cost of equity. The discount rate on the capital that the provider expects to earn on other investments of equivalent risk.

Application of the discount rate to the Free Cash Flows attributable to shareholders through from April 1, 2020 to March 31, 2025 to arrive at the Net Present Value ("NPV") of those free cash flows.

Estimation of the terminal value of the company, calculated as NPV as at the date of valuation based on the Free Cash Flows that the company will generate from FY ended 2025 onwards in perpetuity. This has been calculated on the basis of Free Cash Flow attributable to shareholders in 2025.

Estimation of value calculated as summation of terminal value and present value of cash flows till March 31, 2025 and adjusted by surplus assets & liabilities.

**Estimate of Discount Rate**

The discount rate applied to calculate current values at May 31, 2020 has been determined based on Cost of Equity.

**Cost of Equity**

Cost of equity has been estimated based on the CAPM. This model calculates the cost of equity of a Company as the sum of the risk-free rate and a Company specific equity risk premium, the latter of which represents the risk of company in question as compared to the market risk premium:

**Calculation of cost of equity**

$$COE = R_f + \beta\,(R_m - R_f) + Ra$$

Note:

Rf = Risk-free rate

Rm = Expected market equity risk premium

β = Measure of observed volatility compared to the market

Ra = Company specific Additional Risk Premium

***The Value per Share of Epuja under DCF Method is arrived at Rs. 124.29/- (face value Rs 10/- each)***

***The Value per Share of SPL under DCF Method is arrived at Rs. 9.21/- (face value Rs 1/- each)***

AVINASH KOTHARI Securities or Financial Assets Registered Valuer IBBI/RV/05/2020/12837



**AVINASH KOTHARI (B.COM, ACMA, FCS)**
**REGISTERED VALUER (SECURITIES OR FINANCIAL ASSETS)**
**IBBI REGN. NO. - IBBI/RV/05/2020/12837**

## RECOMMENDATION OF FAIR SHARE EXCHANGE RATIO FOR THE PROPOSED SCHEME OF AMALGAMATION

The fair exchange ratio has been arrived at on the basis of a relative (and not absolute) equity valuation of the Companies for the proposed amalgamation based on the various methodologies is mentioned herein below. Suitable rounding off have been carried out wherever necessary to arrive at the fair value/ exchange ratio.

| Valuation Approach | E-Puja (A) | | SPL (B) | |
|---|---|---|---|---|
| | Value Per Share | Weight | Value Per Share | Weight |
| Asset Approach - NAV Method | NA | 0% | NA | 0% |
| Income Approach - DCF Method | 124.29 | 100% | 9.21 | 50% |
| Market Approach - Market Price Method | NA | 0% | 9.25 | 50% |
| **Relative Value per Share** | | **124.29** | | **9.23** |
| **Share Exchange Ratio (round off) A/B** | | | | **13.47** |
| **Recommended Fair Share Exchange Ratio for Every 100 Shares of Epuja** | | | | **1347 equity shares of SPL (i.e. 13.47 * 100 )** |

**Notes:**

1. ** NA = Not Adopted*
2. *The face per Equity Shares of Epuja is Rs. 10/- whereas the face value per Equity Shares of SPL is Rs. 1/- only.*
3. *Both Epuja and SPL presently operating as Going Concern. SPL is generating profits while Epuja is expected to earn profits and generate positive cash flows in foreseeable future. NAV method does not consider the future profit / cash generating capability of any business and hence we have not used NAV method in any company.*
4. *We are provided with the future financial projections of both Epuja & SPL and hence we have valued Epuja & SPL as per DCF methodology.*
5. *SPL being a listed company and frequently traded at BSE, we have also considered the Market Price Method for valuing the Equity shares of SPL. Further, Epuja being an unlisted company and there being no listed peers available, we have not used Market Approach while valuing Epuja.*

In light of the above and on a consideration of all the relevant factors and circumstances as discussed and outlined herein above including scope limitations and assumptions describe in this report and the engagement letter, we recommend the share exchange ratio as follows:

***1347 equity shares of SPL of INR 1/- each fully paid up for every 100 equity shares of Epuja of INR 10/- each fully paid up.***

**Thanking you,**

AKothari

AVINASH KOTHARI Securities or Financial Assets Registered Valuer IBBI/RV/05/2020/12837

**Avinash Kothari**
**Registered Valuer – S&FA**
**Regn. No. IBBI/RV/05/2020/ 12837**

**Date: September 14, 2020**
**Place: Ahmedabad**