

Valuation of equity shares Vegetable Products Ltd for compliance with Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 as amended by Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2022

17th June 2022

NITISH CHATURVEDI

Registered Valuer (Securities or Financial Assets) with IBBI

Registration No.: IBBI/RV/03/2020/12916

Date: 17th June 2022

To,
The Board of Directors
Vegetable Products Ltd
Subol Dutt Building 13, Brabourne Road,
6th floor, Kolkata WB 700001 In

Dear Sirs,

Sub: Valuation of equity shares of Vegetable Products Ltd

Vegetable Products Ltd (“VPL” or “the Company”) intends to issue equity shares to its proposed investors.

In this regard, Nitish Chaturvedi, Registered Valuer with IBBI Registration No. IBBI/RV/03/2020/12916 (‘Nitish’ or ‘Independent Valuer’) has been appointed to determine fair value of equity shares of VPL for compliance with Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 as amended up to date (‘SEBI ICDR Regulations’) (‘Valuation Purpose’).

The Report date, as confirmed to us by the Management of VPL (‘the Management’), for the purpose of calculation of the price per share under the SEBI ICDR Regulations for issuance of equity shares is 17th June 2022 (‘Report Date’). The Valuation Date as informed to us by the Management for computation of equity value per share of VPL is 31st March 2022 (‘Valuation Date’).

This Report is structured under the following broad heads:

- Background
- Information sources
- Valuation Standards followed and Procedure adopted for Valuation
- Valuation Methodology
- Valuation Analysis and Conclusion
- Scope Limitation
- Annexures



BACKGROUND

Vegetable Products Ltd

Vegetable Products Ltd L01122WB1953PLC021090 is a public limited company incorporated on 13/06/1953, Subol Dutt Building 13, Brabourne Road, 6th floor, Kolkata WB 700001 In.

- Vegetable Products Ltd deals in manufacturing of vegetable edible oil products under the “PRATAP VANASPATI” brand name. The Company is not operating since 2014 and is only able to generate income from its investment in Fixed Deposits.
- The shareholding pattern of VPL as of 17th June 2022 is as under:

Particulars	No. of shares	% Shareholding
Promoter & Promoter Group	6,59,04,212	60.35%
Public	4,32,95,788	39.65%
Total	10,92,00,000	100.00%



INFORMATION SOURCES

We have relied on the following sources of information and documents as provided to us by the Management of VPL ('the Management') and available in public domain:

- Audited Financials as on 31st March 2022;
- Valuation Report for Industrial Land dated 29.01.2022 prepared by Mr. Anil Kumar Saxena;
- Shareholding Pattern as on 31st March 2022;
- Other relevant publicly available data;
- Our regular discussions with management representatives of VPL;
- We have also relied on published and secondary sources of data whether or not made available by the Companies.



VALUATION STANDARDS FOLLOWED AND PROCEDURES ADOPTED FOR VALUATION

- We have performed the valuation analysis, to the extent possible, in accordance with International Valuation Standards.
- In connection with this exercise, we have adopted the following procedures to carry out the valuation analysis:
 - Requested and received relevant data from the Management
 - Discussions with the Management on understanding of the business of the Company
 - Obtained and analysed data available in public domain, as considered relevant by us
 - Obtained and analysed market prices and other data involving equity shares of VPL and of comparable companies, as applicable and relevant
 - Selection of valuation approach and valuation methodology/ (ies), in accordance with IVS, as considered appropriate and relevant by us
 - Determination of value per equity share of VPL, as relevant
 - Preparation and issuance of this valuation report.



VALUATION APPROACHES AND METHODOLOGIES

- For the purpose of valuation, it is necessary to select an appropriate basis of valuation amongst the various valuation techniques. It is universally recognized that valuation is not an exact science and that estimating values necessarily involves selecting a method or approach that is suitable for the purpose. The application of any particular method of valuation depends upon various factors including the size of company, nature of its business and purpose of valuation. Further, the concept of valuation is all about the price at which a transaction takes place i.e., the price at which seller is willing to sell and buyer is willing to buy. Accordingly, a fair and reasonable approach for valuing the shares of the company is to use a combination of relevant and applicable valuation methods.
- IVS 301 read with IVS 103 specifies that generally the following three approaches for valuation of business / business ownership interest are used:
 - Cost Approach
 - Market Approach
 - Income Approach

Cost Approach – Net Asset Value (NAV) method

- The value under cost approach is determined based on the underlying value of the assets which could be on book value basis, replacement cost basis or on the basis of realizable value. Under NAV method, total value of the business is based either on net asset value or realizable value or replacement cost basis. NAV methodology is most applicable for the business where the value lies in the underlying assets and not the ongoing operations of the business. NAV method does not capture the future earning capacity of the business. Given the nature and specifics of the business, we have considered the Net Asset Value method.

Income Approach – Discounted Cash Flows (DCF) method

- Under the Income Approach, business is valued by converting maintainable or future amount of cash flows to a single current amount either through discounting or capitalization. DCF Method seeks to arrive at the value of the business based on its future cash flows generating capability and the risks associated with the said cash flows. FCFE or free cash flows to the firm (“FCFE”) represents the cash available for distribution to both the owners and the creditors of the business. Risk-adjusted discount rate or Weighted Average Cost of Capital (“WACC”) is applied to free cash flows in the explicit period and that in perpetuity. Adjustments pertaining to debt, surplus/non-operating assets including investments, cash & bank balance and contingent assets/liabilities and other liabilities, as relevant, are required to be made in order to arrive at the value for equity shareholders. The total value for the equity shareholders so arrived is then to be divided by the number of equity shares to arrive at the value per equity share of the company.

We have not considered Discounted Cash Flows (DCF) method under the income approach due to unavailability of business projections of VPL as we understand that projections of VPL would be price sensitive information, which was therefore not made available to us.



Market Approach – Market Price method

- Under the Market Price method, the market price of an equity share as quoted on a recognized 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 frequently traded. Generally, market value is reflective of the investors’ perception about the actual worth of the company. However, in certain situations, the value of the share as quoted on the stock market would not be regarded as a proper index of the fair value of the share especially where the market values are fluctuating in a volatile capital market. We understand that the shares are infrequently traded in BSE Limited.

Regulation 165 of ICDR Regulations shall continue to apply in case of infrequently traded shares:

(Explanation: The pricing in case of infrequently traded shares as per regulation 165 of the ICDR Regulation is determined by the issuer taking into account valuation parameters such as book value, comparable trading multiples, and other such customary parameters for valuation, and such valuation is required to be certified by independent valuer).

Since, VPL is a listed company and equity shares of VPL are traded on BSE Limited over a reasonable period but are infrequently traded, therefore we have considered Net Asset Value method to determine the value of equity shares of VPL. We have been informed by the Management that the report date as per the SEBI ICDR Regulations, for the purpose of calculation of the price per share of VPL for the proposed preferential issue of shares is 17th June 2022. Since the latest financial data available is till March 31, 2022. Therefore we have considered the same for our valuation purposes.

Month	No.of Shares
Jun-21	66,733
Jul-21	1,29,057
Aug-21	2,71,598
Sep-21	1,72,580
Oct-21	1,92,200
Nov-21	2,04,907
Dec-21	4,04,659
Jan-22	5,80,865
Feb-22	7,59,492
Mar-22	7,39,295
Apr-22	4,98,943
May-22	1,73,100
Total Shares Traded	42,62,742
No. of O/s Shares	10,90,00,000
% of Shares Traded in last 12 months	3.91%



Market Approach – Comparable Companies' Multiple (CCM) method

- Under CCM Method, the value of shares of the subject company is determined on the basis of multiples derived from valuations of comparable companies. Relevant multiples need to be chosen carefully and adjusted for differences between the circumstances. The Comparable Companies' Multiple Method arrives at the value of the company by using multiples derived from valuations of comparable companies, as manifest through stock market valuations of listed companies. This valuation is based on the principle that market valuations, taking place between informed buyers and informed sellers, incorporate all factors relevant to valuation. Relevant multiples need to be chosen carefully and adjusted for differences, such as growth potential, past track record, size, company dynamics, etc.
- The subject company is in Edible Oils Sector. Given the Company's business and line of operations, the company have not generated any revenues in the recent financial year. We have therefore not considered the CCM method for the said Valuation.



SCOPE LIMITATIONS AND DISCLAIMERS

- Valuation analysis and results are specific to the purpose of valuation mentioned in this report as per agreed terms of our engagement. It may not be valid for any other purpose or as at any other date.
- We owe responsibility to only the management of the client that has retained us and nobody else. We do not accept any liability to any third party in relation to the issue of this valuation report. Our valuation report cannot be used for any other purpose. This report has been prepared only for the sole use and information of VPL. Without limiting the foregoing, we understand that VPL may be required to submit this report to the regulatory authorities / stock exchanges in connection with the Proposed Transaction.
- Our analysis is based on the market conditions and the regulatory environment that currently exists. However, changes to the same in the future could impact the company and the industry it operates in, which may impact our valuation analysis.
- We are not responsible for updating this report because of any events or transactions occurring subsequent to the date of this report.
- We have considered and relied on the information provided to us by the Management including financial information, significant transactions and events occurring subsequent to the balance sheet date. We understand that the information provided to us and the representations made to us (whether verbal or written) are reliable and adequate. We have derived our conclusions and recommendation from the information so provided and we are thus reliant on the given information to be complete and accurate in every significant aspect. We are made to believe that the Management have informed us about all material transactions, events or any other relevant factors which are likely to have an impact on our valuation recommendation.
- In the ultimate analysis, valuation will have to capture the exercise of judicious discretion by the Valuer and judgment taking into account all the relevant factors. There will always be several factors which are not evident from the face of the financial statements, but which will strongly influence the worth of a share. Examples of such factors include quality and integrity of the management, capital adequacy, asset quality, earnings, liquidity, size, present and prospective competition, yield on comparable securities and market sentiment, etc. This concept is also recognized in judicial decisions.
- This Report does not look into the business / commercial reasons behind the transaction. We have no present or planned future interest in the company and the fee for this engagement is not contingent upon the values reported herein. Our valuation analysis should not be construed as an investment advice. We do not express any opinion on the suitability or otherwise of entering into any transaction with the Company
- Any discrepancies in any annexure between the total and the sums of the amounts listed are due to rounding-off.



VALUATION ANALYSIS AND CONCLUSION

- The value per equity share of VPL are based on the various approaches / methods explained herein earlier and various qualitative factors relevant to each company and the business dynamics and growth potential of the businesses of the Companies, having regard to information base, key underlying assumptions and limitations. We have independently applied methods discussed above, as considered appropriate, i.e. Net Asset Value Method for determining value per share of Vegetable Products Limited.
- In light of the above and on consideration of all the relevant factors and circumstances as discussed and outlined hereinabove referred to earlier in this Report for the proposed transaction, in our opinion, we recommend the fair value of equity shares of VPL at **INR 5.00 per equity share.**

Yours faithfully,

Chaturvedi

Nitish Chaturvedi
Registered Valuer

IBBI Reg. No.: IBBI/RV/03/2020/12916

Place: Mumbai

Date: 17th June 2022



Enclosed:

Annexure I: Determination of value per equity share of VPL using Net Asset Value Method

Annexure I – Determination of value per equity share of VPL using Net Asset Value method

Particulars	Amount (INR Lakhs)
Fair Market Value of Land	4,710.00
Investments	190.47
Loans/Advances	77.471
Deferred Tax Assets	35.29
Current Assets	
Cash	623.671
Trade Receivables	16.157
Other Current Assets	1.118
Total Assets	5,654.18
Less: Liabilities	
Borrowings	278.679
Other Non Current Liabilities	3.01
Other Current Liabilities	41.486
Provisions	2.019
Total Liabilities	325.194
Net Asset Value	5,328.98
No. of Shares	10,92,00,000
Value per share	4.88

**Value per share rounded of to nearest integer to INR 5.00.*

<<End of Report>>

