

*Strictly Private & Confidential*

## **Kamdhenu Limited**

**Fair Valuation Report of Equity Shares  
in compliance with  
Regulation 166A(1) of SEBI (Issue of  
Capital and Disclosures Requirement)  
Regulations, 2018**

To,  
The Board of Directors,  
Kamdhenu Limited  
2nd Floor, Tower-A, Building No. 9,  
DLF Cyber City, Phase-III,  
Gurgaon, Haryana - 122002

**Subject: Determination of fair value of equity shares of Kamdhenu Limited (CIN: L27101HR1994PLC092205) in compliance with Regulation 166A(1) of SEBI (Issue of Capital and Disclosures Requirement) Regulations, 2018 and subsequent amendments thereto**

Dear Sir/ Madam,

We have been appointed by **Kamdhenu Limited** (KDL) to determine the fair value of the equity shares in compliance with the provisions of Regulation 166A(1) of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 as amended.

Further in compliance with Regulation 166A(1) of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 as amended, we confirm that we are Independent Registered Valuer. We conducted our valuation exercise on the basis of information/documents and explanations given to us by the management. Based on the same, our report on valuation is being submitted herewith for your kind reference.

The Fair Value of the equity shares of **Kamdhenu Limited** as per regulation 166A(1) estimated as on "Relevant Date" i.e. **9<sup>th</sup> November 2022** is **INR 139.52 per share**.

Regards,

*Chandan*



**Registered Valuer:** Chandan Bhatia

**Address:** H. No. 1321, Sector 29, Faridabad, Haryana 121008

**IBBI Registration No.:** IBBI/RV/06/2019/11431

**ICAI RVO Registration No.:** ICAIRVO/06/RV-P00026/2019-20

**UDIN:** 22517097BCSWLX2885

**Date:** 10<sup>th</sup> November 2022

**Place:** Faridabad

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## **A. ENGAGEMENT OUTLINE/ OBJECTIVE**

Our current scope of work for this exercise is to determine the fair value of equity share of **Kamdhenu Limited** (KDL) in compliance with provisions of Regulation 166A(1) of SEBI (ICDR) Regulations, 2018 for the purpose of allotting equity shares through preferential allotment in terms of Chapter V of SEBI (ICDR) Regulations, 2018.

As such, the report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to in this report. While utmost care has been taken, however, our report is subject to the limitations detailed hereinafter:

- a) **Relevant Date for the purpose of Price Calculation** – Valuation analysis and results are specific to the **Relevant Date i.e., 09<sup>th</sup> November 2022 contemplated on the basis of information and estimations provided by the management.** The valuation has been conducted with reference to the latest financial statement available as on reference date i.e. 30<sup>th</sup> June 2022.
- b) **Independent Valuer** - I am an Independent Registered Valuer registered with competent authority vide registration no. IBBI/RV/06/2019/11431.
- c) **Engagement Date and Management Representation Date** - We were engaged by Kamdhenu Limited for the valuation of equity shares of KDL vide Engagement Letter dated **04<sup>th</sup> November 2022.**
- d) **Reliance on the Information provided** – We have been provided with certain written and verbal information and assumptions from the management of “KDL”. We have relied on the information provided by the management and experts and have not conducted any detailed enquiry. **Accordingly, we do not express any opinion or offer any form of assurance regarding its accuracy and completeness.**
- e) **Valuation Analysis** – Valuation of business is not a precise art and the conclusions arrived at will be subjective and dependent on the exercise of individual judgment.
- f) **Caution to users of the Report** – This report and the information contained herein are confidential. It is intended only for the sole use of the purpose mentioned in this report.





## **B. COMPANY INFORMATION**

**Kamdhenu Limited (KDL)** is a Listed Company engaged in the business of steel manufacturing since 1995. Kamdhenu Limited has in its list of manufacturing, marketing, branding and distribution of a diverse range of products including Reinforcement steel Bars, Structural steels, Binding Wire, Colour Coated Sheets, Plywood and many more.

The other brief particulars of the company are as follows:

Particulars	Particulars
Company Name	KAMDHENU LIMITED
CIN	L27101HR1994PLC092205
Company Category	Company Limited by Shares
Class of Company	Public
Authorized Capital (INR)	46,30,00,000
Present Paid up Capital (INR)	26,93,55,000
Date of Incorporation	12-09-1994
Registered Address	2nd Floor, Tower-A, Building No. 9, DLF Cyber City, Phase-III, Gurgaon, Haryana - 122002



### **C. VALUATION APPROACH**

#### **As per regulation 166A(1)**

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

*Provided that the floor price, in such cases, shall be higher of the floor price determined under sub-regulation (1), (2) or (4) of regulation 164, as the case may be, or the price determined under the valuation report from the independent registered valuer or the price determined in accordance with the provisions of the Articles of Association of the issuer, if applicable:*

*Provided further that if any proposed preferential issue is likely to result in a change in control of the issuer, the valuation report from the registered valuer shall also cover guidance on control premium, which shall be computed over and above the price determined in terms of the first proviso:"*



The valuation methodology to be adopted varies from case to case depending upon different factors affecting valuation. The basis of valuation would depend on the purpose of valuation, nature of business, future prospects of the company & industry and other attendant circumstances.

There are three generally accepted approaches to valuation:

- COST/ ASSET APPROACH
- INCOME APPROACH
- MARKET APPROACH

#### **COST/ ASSET APPROACH:**

The asset-based valuation technique is based on the value of the underlying net assets of the business, either on a book value basis or realizable value basis or replacement cost basis.

**'Book value'** is considered in case where there is no significant movement either side, in the actual value of assets. Since it represents only the historic cost, it is generally not prudent to value a company based on its book value.

**'Realizable value'** is considered in case where the valuation exercise is being carried out on an ordinary sale/distress sale basis. In other words, when the company is likely to be sold or liquidated.

**'Replacement value'** and Present values are considered for estimating the Fair Value of assets of a company on a going concern basis.

In the **Net Asset Value (NAV) method**, the net asset value is computed based on the latest available audited/unaudited Balance Sheet of the Company. The starting point of this method is the valuation of the total assets that the Company owns. The loan funds are deducted. Contingent liabilities, to the extent that in the opinion of management can be fairly expected to impair the net asset value of the business, are also deducted. The resultant figure represents the net worth of the business on the given day.

**We have applied this method in this case. However, we have given NIL weight to this method, as asset doesn't represent the earning potential of the company.**





## **INCOME APPROACH:**

The Income Approach derives an estimation of value based on the sum of the present value of expected economic benefits associated with the asset or business (Economic benefits have two components: cash flow (or dividends) and capital appreciation.

### **Discounted Free Cash Flow Method (DCF)**

- The Discounted Cash Flow (DCF) methodology expresses the present value of a 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. It recognizes that money has a time value by discounting future cash flows at an appropriate discount factor.
- This method is used to determine the present value of a business on a going concern assumption. The DCF methodology depends on the projection of the future cash flows and the selection of an appropriate discount factor.
- When valuing a business on a DCF basis, the objective is to determine a net present value of the cash flows ("CF") arising from the business over a future select period of time (say 5 years), which period is called the explicit forecast period. Free cash flows are defined to include all inflows and outflows associated with the project prior to debt service, such as taxes, amount invested in working capital and capital expenditure. Under the DCF methodology, value must be placed both on the explicit cash flows as stated above, and the ongoing cash flows a company will generate after the explicit forecast period. The latter value, also known as terminal value, is also to be estimated.
- The further the cash flows can be projected, the less sensitive the valuation is to inaccuracies in the assumed terminal value. Therefore, the longer the period covered by the projection, the less reliable the projections are likely to be. For this reason, the approach is used to value businesses, where the future cash flows can be projected with a reasonable degree of reliability. For example, in a fast-changing market like telecom or even automobile, the explicit period typically cannot be more than at least 5 year Any projection beyond that would be mostly speculation.
- The discount rate applied to estimate the present value of explicit forecast period free cash flows as also continuing value, is taken at the "Weighted Average Cost of Capital" (WACC). One of the advantages of the DCF approach is that it permits the various elements that make up the discount factor to be considered separately, and thus, the





effect of the variations in the assumptions can be modelled more easily. The principal elements of WACC are cost of equity (which is the desired rate of return for an equity investor given the risk profile of the company and associated cash flows), the post-tax cost of debt and the target capital structure of the company (a function of debt-to-equity ratio). In turn, cost of equity is derived, on the basis of capital asset pricing model (CAPM), as a function of risk-free rate, Beta (an estimate of risk profile of the company relative to equity market) and equity risk premium assigned to the subject equity market.

- Value obtained by using DCF method gives us the Enterprise Value; and adjustment for the non-operating assets and liabilities (current and non-current) of the company as on the valuation date gives us the Equity Value. The above assets and liabilities have been considered at Book Value.

**We haven't applied income approach since the management of KDL hasn't provided us with the detailed business plan, therefore for valuation of KDL we have not considered the Discounted Cash Flow Method.**

#### **MARKET APPROACH:**

The Market Approach derives an estimation of value based on price of the company based listed on the stock exchange or estimating the value of the Company from a peer company/ group of companies listed in stock exchange or estimating the price of the Company from similar transactions.

#### **Market Multiple Method**

Another method of valuation of shares of the company is by Market Multiple Method. This method involves the comparison of the various operational metrics (ROE, ROCE etc.) and valuation multiples (EV/EBIDTA, EV/Sales etc.) of the listed peer companies to the subject company for valuing the business.

#### **Recent Transaction Multiple**

Another method of valuation is valuing the company based on the recent transactions within Companies in similar business.

For the purpose of valuation of KDL we have used '**Price to earning multiple method**' of valuation.



## Market Price Method

Another method of valuation is valuing the company based on the company market price on the stock exchange.

We have valued the company using the Market Price Method under Market Approach by taking Weighted average price over sufficient period prior to relevant date. We have taken the market price Data from September 06, 2022 to November 09, 2022 as the company has set record date for allotment of shares under demerger and price prior to that do not represent the current valuation of the company.

### D. VALUATION OF KAMDHENU LIMITED

The summary of Fair Value per share is provided hereunder for reference.

KAMDHENU LIMITED Fair Value as on November 09, 2022			
Method	Value Per Share	Weights	Amount
Market Approach - Market Price	147.07	50%	73.53
Market Approach - Market Multiple	131.97	50%	65.98
Cost Approach	55.44	0%	0.00
Income Approach	NA	0%	NA
Concluded Value			139.52

The Fair Value of the equity shares of **Kamdhenu Limited** as per regulation 166A(1) estimated as on "Relevant Date" i.e. 9th November 2022 is **INR 139.52 per share**.

### E. LIMITATION AND DISCLAIMERS

Our report is subject to the limitations detailed hereinafter. This report is to be read in totality and not in parts, in conjunction with the relevant document referred to therein.

Valuation work, by its very nature, cannot be regarded as an exact science and the conclusions arrived at in many cases will be subjective and dependent on the exercise of individual judgement. Given the same set of facts and using the same assumptions, expert opinion may differ due to number of separate judgement decisions, which have to be made. While we have provided our recommendation based on the information available to us and within the scope and constraints of our engagement, others may have a different opinion.





Further, this valuation report is based on the extant regulatory environment and the business/ market conditions, which are dynamic in nature & may change in future, thereby impacting the valuation of the company.

For the present valuation exercise, we have also relied upon information available in the public domain, however the accuracy and timeline of the same has not been independently verified by us.

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

The client/owner and its management/representatives warranted to us that the information they supplied was complete, accurate and true and correct to the best of their knowledge. We have relied upon the representations of the owners/clients, their management and other third parties concerning the financial data, operational data and maintenance schedule of all plant machinery-equipment-tools-vehicles, real estate investments and any other investments in tangible assets except as specifically stated to the contrary in the report. We shall not be liable for any loss, damages, cost or expenses arising from fraudulent acts, misrepresentations, or willful default on part of the companies, their directors, employee or agents. We do not make any representations or warranty, express or implied, regarding the achievability of forecasts and completeness of such other information as provided by the Management. We also do not vouch for the efficacy of the forecast as provided to us by the management.

The information contained herein is based on the analysis of information available at the time when this report was prepared.

We do not make any representations or warranty, express or implied, regarding the achievability of forecasts and completeness of such other information as provided by the Management. We also do not vouch for the efficacy of the forecast as provided to us by the management.

The information presented on the valuation report does not reflect the outcome of any due diligence procedure, which may impact the valuation report materially.

We have no present or contemplated financial interest in the Company. The fee for this engagement is not contingent upon the results of this report. We have no responsibility





to update this report for events and circumstances occurring subsequent to the date of this report.

In the course of valuation, we were provided with both written and verbal information, including market, technical, financial and operating data.

The actual market price achieved may be higher or lower than our estimate of value (or range of value) depending upon the circumstances of the transaction (for example the competitive bidding environment), the nature of the business (for example the purchaser's perception of potential synergies). The knowledge, negotiating ability and motivation of the buyers and sellers and the applicability of a discount or premium for control will also affect actual market price achieved. Accordingly, our valuation conclusion will not necessarily be the price at which actual transaction will take place.

An analysis of such nature is necessarily based on the prevailing stock market, financial, economic and other conditions in general and industry trends in particular as in effect on, and the information made available to us as of, the date hereof. Events occurring after the date hereof may affect this report and the assumptions used in preparing it, and we do not assume any obligation to update, revise or reaffirm this Report.

We are independent of the client/company and have no current or expected interest in the Company or its assets. The fee paid for our services in no way influenced the results of our analysis.

We have acted as an independent third party and, as such, shall not be considered an advocate for any concerned party for any dispute. The valuation has been carried out independently to assess the valuation services. We have no present or planned future interest in KDL or any of its group companies and the fee for this report is not contingent upon outcome of the transaction. Our valuation should not be construed as investment advice; specifically, we do not express any opinion on the suitability or otherwise of entering into any transaction with KDL



## F. Annexures

### Annexure 1

#### Valuation as per Market Price Method as on November 09, 2022

KAMDHENU LIMITED Market Value Method as on November 09, 2022 Data from September 06, 2022 to November 09, 2022		
Total Volume Traded	Total Turnover Traded (INR)	Volume Weighted Average Price in (INR)
15,65,109	23,01,74,004	147.07
Concluded Value		147.07

### Annexure 2

#### Valuation as per Market Multiple Method as on November 09, 2022

KAMDHENU LIMITED Market Multiple Method as on November 09, 2022					
Listed Peers	No of share 09-11-22	Diluted EPS (TTM upto June 2022) (INR)	Price as on 09-11-22 (INR)	Price/EPS	
Surya Roshni Limited	5,44,08,974	34.89	450.50	12.91	
JSW Steel Limited	2,41,72,20,440	64.53	706.55	10.95	
Jindal Saw Limited	31,97,54,117	8.33	83.50	10.02	
Mukand Limited	14,44,95,563	8.78	108.90	12.40	
Usha Martin Limited	30,47,42,010	10.35	133.20	12.87	
Median				12.40	
P/E multiple				12.40	
Discount @ 25 %				-3.10	
Concluded P/E multiple (A)				9.30	
PAT from continuing operation of Company(TTM upto June 2022) (INR Crore) (B)				38.21	
Equity value of company (INR Crore) (A*B)				355.46	
No. of Equity Shares				2,69,35,500	
Concluded Value				131.97	



**Annexure 3**

**Valuation as per Net Assets Value Method as on June 30, 2022 being the latest available balance sheet**

KAMDHENU LIMITED Net Asset Value Method as on June 30, 2022	
Particulars	Total Turnover Traded (INR)
Total Book value (A)	1,49,33,09,076
Total No. of Shares(B)	2,69,35,500
Concluded Value(A/B)	55.44

